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U.S.-NORTH KOREAN RELATIONS: FROM THE AGREED FRAMEWORK TO FOOD AID

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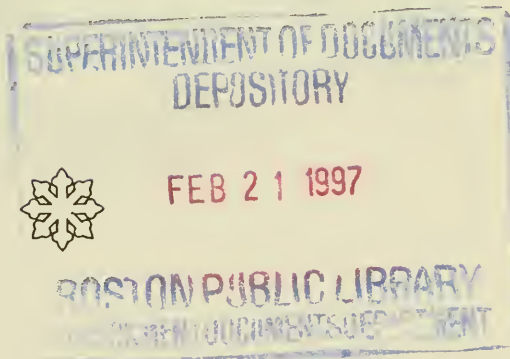
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HEARING BEFORE THE SUBCOMMITTEE ON ASIA AND THE PACIFIC COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

MARCH 19, 1996

Printed for the use of the Committee on International Relations



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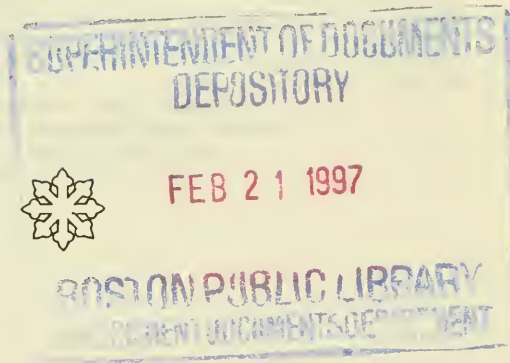
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U.S.-NORTH KOREAN RELATIONS: FROM THE AGREED FRAMEWORK TO FOOD AID

TUESDAY, MARCH 19, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:30 p.m. in room 2200, Rayburn House Office Building, Hon. Doug Bereuter (chairman of the subcommittee) presiding.

Mr. BEREUTER. The subcommittee will come to order. If everyone would try to find a seat. We are competing for the major hearing room and for attention and for controversy with the Nation of Islam. And Louis Farrakhan is in the major hearing room today and some people are having difficulty moving through the long security lines.

I would much have preferred to have a larger hearing room. Just impossible.

The Subcommittee on Asia and the Pacific meets today to examine U.S.-North Korean relations. It has now been over a year since this body conducted a hearing on North Korea, which was, by the way, the first hearing that the subcommittee held during the 104th Congress. That was just a few months after the conclusion of the Agreed Framework in October 1994. There is a strong need to revisit what has happened in our bilateral relationship since that time and explore our future policy objectives with this very difficult and unpredictable country.

While North Korea is not dominating the headlines in the same manner as it has over the past couple of years, it would be a grave mistake, I believe, to relegate our relationship and attention to this country to the back burner of U.S. priorities. North Korea remains perhaps the most potentially volatile and dangerously unstable, isolated and belligerent country in all of Asia, perhaps the world. The current quiet may be a temporary calm before the storm. We certainly hope that is not the case. From all accounts, Pyongyang continues to allocate significant and disproportionate levels of scarce resources into its million-man-plus army. Even if one chooses to set the nuclear concerns aside, which we cannot, there is still its ongoing missile, chemical and biological weapons programs, and North Korea continues to export terrorism.

Almost as disturbing as the external military threat is the security threat posed by North Korea's domestic situation, the potential for implosion. We know virtually nothing more today about the motives and intentions of this regime than we did at the time of last

year's hearing. Recent stories filtering out of North Korea are very disturbing indeed. Defections appear to be on the rise. The food situation remains serious and has been worsened by this fear of flooding during the summer of 1995. I saw some of that myself. It is reported that Supreme Leader Kim Jong Il's behavior continues to be erratic and raises questions about how much longer he can retain control of his country. All of that may be exaggerated. We do not know.

Compared to the sensational reports we are accustomed to seeing about North Korea's internal matters, U.S. policy toward the North has evolved with considerably less fanfare. Yet, this change has been steady and considerable. Last month, with little if any consultation with the Congress of which I am aware, the State Department provided \$2 million in food assistance to the North through the World Food Program. Less than 2 weeks ago, U.S. Treasury regulations for this country were eased to facilitate humanitarian assistance from private U.S. citizens to North Korea. Substantial obligations under the October 1994 Agreed Framework will continue to incur significant costs to the U.S. taxpayers for years to come.

I would be remiss if I did not at this point express my personal concern for the pace at which U.S. policy toward North Korea is proceeding, including the Agreed Framework and the period leading up to today. Numerous conciliatory gestures have been offered. Few, if any, apparent positive steps by the North Koreans have met them in return.

In addition to the weak image of the United States that such actions convey to the North Koreans, this strategy also strains our relationship with South Korea and our close allies. I would note that the Congress is on record that relations with North Korea should not move forward unless there is clear progress on (1) North-South dialog, (2) curbing exports of weapons of mass destruction, (3) resolution of the remains of MIAs, and (4) halting North Korean support for international terrorism.

The State Department has made it clear that it would prefer sole jurisdiction over policy toward North Korea, but I strongly believe that the Congress has a crucial role to play in this area and I hope that we can work cooperatively on this important foreign policy matter.

It is my hope that the Administration will today shed some light on the current status of our dealings with the North as well as map out where we hope to go with the relationship.

I would now like to introduce our distinguished panels of witnesses. We are grateful to have with us for the second week in a row Ambassador Winston Lord, the distinguished Secretary of State for East Asian and Pacific Affairs. Ambassador Lord has served in his current position since 1993 and was the U.S. ambassador to China from 1985 through 1989. Ambassador Lord indeed has been very generous with the time that he has shared with this subcommittee, both today and at previous hearings. And I might just say parenthetically in my years in the Congress, I have had no one who has attempted more rigorously and diligently to keep this member informed about issues that are important for my re-

sponsibilities. And I want to thank you for that continuing effort, Ambassador.

Mr. LORD. Thank you.

Mr. BEREUTER. In addition, we are honored to welcome the four private sector witnesses or experts on our second panel. Ambassador Donald Gregg is the Chairman of the Korea Society of New York. From 1989–1993, Ambassador Gregg was the U.S. ambassador to South Korea. He once served as then Vice President George Bush's National Security Advisor and enjoyed a long and distinguished career with the Central Intelligence Agency.

Mr. Stanley Roth returns to this subcommittee, where he served as a long time and exceptional staff director for Chairman Steve Solarz. Now he is serving as the Director of Research and Studies at the U.S. Institute of Peace. Immediately prior to this position, he served as a Special Assistant to the President and Senior Director for Asian Affairs at the National Security Council.

Mr. Daryl Plunk is a Senior Fellow with the Asian Studies Center of the Heritage Foundation and has published numerous studies and articles on Asian affairs. Mr. Plunk has written extensively on U.S. policy toward Asia, contributing to such publications as the Washington Post, the New York Times and the Far Eastern Economic Review.

Last, Dr. Abdur Rashid is the Director of Global Information and Early Warning System at the U.N. Food and Agriculture Organization, the FAO. Dr. Rashid oversaw the FAO team that visited North Korea in December for the purpose of assessing its food situation. The study served as a basis for the recent U.S. decision to provide U.S. food assistance to North Korea.

The ranking minority member cannot be with us today despite his intention to be because the immigration reform legislation is on the floor. It is one of his primary concerns as a member of the Judiciary Committee. And so he is very much tied up in preparation for the general debate and the amendments that will follow.

Mr. BEREUTER. I now turn to the gentleman from California, Mr. Kim, for any comments that he might have.

Mr. KIM. Thank you, Mr. Chairman. In the interest of time, I would like to ask for unanimous consent that my written statement be included in the record, but I would like to read a summary.

Mr. BEREUTER. Without objection.

[The prepared statement of Mr. Kim appears in the appendix.]

Mr. KIM. Thank you, Mr. Chairman. I have concerns about the Clinton administration's apparent policy of expanding engagement with Pyongyang. Making matters even more troublesome is the fact that this growing appeasement of North Korea by Washington, DC seems to be at the expense of our close, longtime ally, South Korea. While the Administration may claim such a policy will result in gains, I feel those gains are only short-term and temporary. They cannot offset the negative long-term ramifications of pandering to the whims of the Communist North. For the record, I would like to submit a copy of the January 25th, 1996 letter I sent to Secretary of State, Mr. Warren Christopher, about the Administration's policy toward North Korea generally and the department's decision to provide full aid specifically.

Mr. BEREUTER. Without objection will be made a part of the record.

[The letter appears in the appendix.]

Mr. KIM. Thank you, Mr. Chairman. This letter summarizes most of my concerns. I am sorry to say that despite being sent 2 months ago, I have not received a reply as of today. I must say, Mr. Chairman, that I am very disappointed at the State Department's lack of response, especially to a member of this subcommittee.

My most pressing concern is that current Administration policy seems to be that of accommodating North Korea's demand for direct engagement with the United States and avoiding any involvement with South Korea. I believe we should be doing just the opposite. We should be taking advantage of every opportunity, whether it is KEDO or Food Aid to make the North Koreans enter into a dialog with South Korea.

I have provided Assistant Secretary Lord with a copy of my letter. I expect he will be addressing this and the other points I raised in his testimony. Therefore, I welcome Ambassador Lord today and the panel of other expert witnesses this afternoon. I am anxious to listen. Thank you, Mr. Chairman.

Mr. BEREUTER. Thank you, Mr. Kim. I say to the gentlemen on both panels that your written statements will be made a part of the record. I ask that each of you summarize your remarks in approximately 10 minutes. This will allow us greater time for questions and dialog. Your statements will, of course, be made a part of the record.

Ambassador Lord, thank you for clearing your schedule to be with us today. You may proceed as you wish.

STATEMENT OF HON. WINSTON LORD, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Mr. LORD. Thank you, Mr. Chairman. I will submit my full written remarks for the record and give you excerpts. First, a couple of quick informal comments at the outset. I want to thank you for your kind observations and also commend you for once again holding a hearing on a crucial topic. You have had a series of these hearings which educate the American public and Congress.

With all that kindness, I hesitate to dispute some of your introductory remarks. I will reserve that for the questions and answers. Of course, I do not agree with some of your premises, but you and I have had a very respectful dialog on this and I look forward to continuing it.

Mr. BEREUTER. Ambassador Lord, our feelings are not so tender here. If you want to bring them up in your testimony, that is what we are here for.

Mr. LORD. I plan to respond, but I also know I only have 10 minutes. But my testimony will address some of these and I will try to address others. Similarly with Congressman Kim, whom I have had very good discussions with. Of course, I do not agree with your characterizations either, Mr. Kim, and I hope we can make progress in our talks today.

Mr. KIM. I certainly hope so.

Mr. LORD. With respect to the letter, let me say if you were disappointed not to have received a response, you can imagine how I felt when I found this out 5 minutes ago. Whatever the views, the fact that a Member of Congress does not get a fast response to a letter is outrageous. It is embarrassing to me, particularly when I am testifying. We approved out of my office a reply on January 31. I do not know what happened to it. I am going to look into it. I apologize on behalf of the State Department.

Mr. KIM. Thank you.

Mr. LORD. There is absolutely no excuse for that. I do not understand how these things can happen. I think I am more annoyed than you are, but maybe not.

Mr. Chairman, I appreciate your kind invitation to appear today. North Korea poses major challenges to U.S. foreign policy and the importance of Korean issues is well known to you, not least from your travels to South Korea at the end of last August.

As you request, I will focus on U.S.-North Korean relations. Before I begin, and this was a theme in both your opening remarks, I want to make clear that our approach to all Korean issues is founded on a rock-solid relationship with the ROK, an ally of long standing, a vibrant democracy and a major trading partner. I have personally been involved in tending to this bilaterally and tri-laterally, with our Japanese as well as Korean friends, to make sure that our approach is in concert with our allies and that we do not let the North divide us from our allies.

That applies to food aid, which was supported by the South Koreans and by the Japanese after my consultations in Hawaii shortly after I received your letter. It has been true all along. The South Koreans do not think as you described it; the South Koreans support our policy.

President Kim made that clear when he testified before the Congress last summer. Our relations with our allies and the importance of North-South dialog, including how fast we can go ahead with our own relations with North Korea are a fundamental principle.

We definitely agree on the approach. We obviously have some disagreement on the analysis.

The U.S.-DPRK Agreed Framework is the first element of our policy toward North Korea. With some immodesty on behalf of the Administration, I think this is one of the major foreign policy achievements of recent years. The North Korea nuclear threat is a dog that has not barked for a couple of years. No one has presented a better Agreed Framework. We have frozen the North Korean program in place. We will dismantle it in the future. It is under international supervision.

We defused a very dangerous situation we inherited when we came into office. We are very proud of this achievement. We are in no way complacent about its implementation, which we will vigorously enforce, or about the fact that North-South dialog has not yet really begun. This is a crucial failure on North Korea's part; we will continue to encourage that dialog.

Nor are we complacent about other problems, such as the ongoing conventional military threat, terrorism, missiles, and the return of the remains of Americans missing in action. But I want to repeat .

what I said at the outset. This is a major achievement: we have frozen a very dangerous problem, and we are going to dismantle it in the future.

When the Clinton administration entered office in January, 1993, it was immediately confronted with this problem. Left unchecked, the nuclear program of North Korea would have been capable of producing enough plutonium for at least several nuclear weapons annually. Most immediately, North Korea was threatening to reprocess the spent fuel from its operational reactor, produce several weapons worth of plutonium, and then reload the reactor and produce additional plutonium. Such a nuclear stockpile in the hands of the North Korean regime would have been a grave threat to U.S. allies in the region and U.S. interests around the world.

As I have suggested, the Agreed Framework has frozen the program in its tracks. It has put us on a path to attain all our strategic objectives: supporting the international non-proliferation regime and enhancing security and stability in Northeast Asia.

North Korea's reactor and its processing facility are both sealed. Construction has stopped on the two new reactors. Very soon, U.S. experts will begin with North Korean cooperation to place the plutonium-laden spent fuel in safe storage pending its eventual removal from North Korea.

As you emphasize in your resolution relating to the Agreed Framework, Mr. Chairman, the eventual removal of this fuel from North Korea is of major significance. The phrase is "being effectively monitored" by the IAEA, which has recently agreed with North Korea on procedures for the resumption of ad hoc and routine inspections of nuclear facilities not subject to the freeze.

The Agreed Framework will produce a full accounting of the history of the DPRK nuclear program before North Korea receives key nuclear components for the light water reactors we are committed to provide. All through the implementation of the Framework, there is a checking mechanism of implementation in terms of benefits North Korea might get and what they have to do in terms of their obligations under the Framework.

When fully implemented, the Framework will result in a dismantlement of North Korea's dangerous gas-graphite reactors and related facilities, including a reprocessing plant. These steps go far beyond what the North Koreans would have been required to do under the Non-Proliferation Treaty, which allows member states to reprocess spent fuel under IAEA safeguards.

Assuring that the Agreed Framework is successfully implemented is therefore a major goal, one we are pursuing in full knowledge that it may pose serious challenges in the future. My statement goes on to describe some of the more recent developments, including the fact that the Korean Peninsula Energy Development Organization was founded a year ago by the United States, Japan and the Republic of Korea to implement portions of the Agreed Framework. It is moving ahead under the leadership of its executive director, former Ambassador Steven Bosworth.

On December 15, KEDO and North Korea concluded an agreement for the supply of proliferation-resistant light water nuclear reactors to North Korea. In negotiating that agreement we successfully bargained very hard—this gets to one of your points—to en-

sure that South Korea will play a central role in this whole process and it will provide South Korean standard model reactors to the North. We bargained hard and insisted on those aspects.

KEDO is now preparing for negotiations with KEPCO, the South Korean firm with which it plans to conclude the prime contract for the light water reactor project. There have already been four site surveys by KEDO. There will soon be a fifth, which we think will confirm the construction site. South Korean nationals have been included in each of the delegations, marking a modest, albeit far from insufficient, step forward in North-South contacts.

Contrary to rumors that were circulating in Seoul at the time of your visit, Mr. Chairman, South Korean members of the KEDO site survey teams have received the same treatment as the members from the United States and Japan.

KEDO is also supplying heavy fuel oil to compensate for what North Korea is giving up in energy and for going well beyond its NPT obligation. North Korea has accepted our proposed method for verifying that this heavy oil is not diverted to uses other than those stipulated in the Framework. Otherwise, we would not continue to provide the oil.

Financing our commitments under the Framework is an important priority and a major focus of our work. The Administration has requested a very modest sum, considering the importance to U.S. security interests of implementing the Agreed Framework. The President will soon convey to the Congress a 614 waiver and congressional certification package as required by law so that we may use the money appropriated by Congress for KEDO projects in Fiscal Year 1996.

I hope Congress will conclude its review of this matter as quickly as possible so that KEDO can continue to meet its commitment to provide heavy oil. Japan recently agreed to provide \$19 million to help KEDO finance the purchase of this oil. It did so in anticipation that we would soon be in a position to play our own necessary role in financing this part of the project.

You mentioned taxpayers' dollars. We are talking about spending \$20 or \$30 million a year to stop one of the most dangerous threats in the world. Our allies, who should do more financially since they are closer to the event, are providing billions of dollars. This is a good deal for the U.S. taxpayer, not to mention for non-proliferation and our security.

We are working with South Korea and Japan to encourage other countries to make more financial contributions and to participate in KEDO. We are making progress, but we have a considerable way to go. My statement again recalls policies that began in previous administrations—Republican administrations—to try modest openings with the North. I will not go into the details.

With respect to our policy toward the North, there are three basic themes. One is implementing the Agreed Framework, which I have already discussed. Second, we seek to reduce tensions on the peninsula, most importantly through substantive North-South dialog. Third, we are increasing contacts, very modestly and in parallel with South Korea's own dealings with the North. Our aim is to promote security and stability in the region.

My statement then describes the problems that North Korea continues to pose for us, serious challenges for American foreign policy despite the Agreed Framework. I described the nature of the regime and of the military confrontation on the peninsula. I stressed that a key objective of U.S. policy is to continue to preserve security and peace on the peninsula, and that the cornerstone of our efforts is our alliance with the Republic of Korea.

I go on to describe the closeness of that alliance, the importance of our force levels in Korea and in the Pacific, and the fact that we are committed both to continued vigilance and to exploring ways to reduce tensions on the peninsula. Thus, we have to deal with the conventional threat, other weapons of mass destruction, tensions along the DMZ, and other problems.

My statement also mentions the importance of maintaining the Military Armistice Agreement of 1953 until it is replaced by a peace agreement, which must be negotiated between the North and South. We will not participate in those negotiations without full South Korean participation. The North always tries to divide us from the South. A peace agreement is up to the North and South to discuss.

In recent years, the North has engaged in a campaign to try to dismantle that Military Armistice Agreement. We will continue to insist, however, that it be maintained until it is replaced by a permanent peace.

We would like to improve communications in Panmunjom, which have been cut off by the North. This is not a good situation to be in on such a tense border.

The North continually tries to open direct talks with us on peace and security in the Korean Peninsula precisely to try to drive a wedge between us and our allies. This approach is absolutely unacceptable to the United States as are all North Korean attempts to deal with issues of peace and security on a bilateral basis.

It is the firm position of the United States that it is up to Koreans, both North and South, to create a stable peace in Korea. The United States will support fully any joint efforts by the North and South to create a new peace mechanism and is willing to play whatever role the Koreans wish us to play. But the United States will not engage the DPRK bilaterally over the heads of our South Korean allies. The ROK must fully participate in any military-to-military context.

All of this underlines the fundamental importance of North-South relations. And here we all agree on our goals and objectives. I point out that the North is obligated to engage in North-South dialog in the agreement of December 1991 that they signed with the South. We held out for this commitment in our negotiations on the Agreed Framework. We were willing to forego the entire agreement unless we obtained the North's commitment under the Agreed Framework to engage in North-South dialog.

We have stuck very closely to this principle. It is an essential aspect of the Agreed Framework and a prerequisite for its full implementation. We have repeatedly urged Pyongyang to meet its commitment and begin direct governmental dialog with the ROK. We will continue to do so at every opportunity. We are also ready to support constructive South Korean initiatives.

Finally, on the question of expanding contacts, these have been modest. If we can draw North Korea out into the international community, we think that will enhance stability and security in the region. But my statement makes very clear that we will expand our contacts with the North in rough parallel with the South's ability to talk to the North.

We will not get out in front of our South Korean allies. We will stay in closest consultation with the South. As I said, I have been personally involved in this. We are ready to cooperate with the DPRK on humanitarian issues such as relief for North Korean victims of last year's flooding and the return of the remains of U.S. soldiers. We are also going to pursue the rest of our agenda, which I will lay out in my statement.

I want to make clear again that, as a result of our talks in Hawaii, the South Koreans and the Japanese supported our modest humanitarian aid program. This is distinguished from massive aid such as provided by South Korea and Japan and others to deal with the structural problem. Massive aid does involve questions of leverage, North Korean behavior, and relations with our allies. But our allies clearly have no problem with our carefully monitored, modest assistance.

I go on to mention that we are prepared to open a liaison office as agreed in the Framework. We believe that will serve our interests and South Korea's interests. The opening is delayed due to some technical issues, and North Korea itself does not seem to be eager to push that ahead. But we will open the office when the remaining issues are resolved. We also support private, people-to-people exchange to contribute to a general opening up of North Korea. All of this is done in the closest consultation with our South Korean allies.

We are willing to move over time toward more normal relations with North Korea, but only as North Korea addresses issues of concern to us, including North-South relations. Without an improvement in North-South relations, it is clear that the development of U.S. relations with North Korea will be inhibited. We are well aware of both of your concerns in this area as expressed in the House resolution on the Agreed Framework.

I then mention the talks about return of remains; we hope those will be resumed. We made some progress in these talks a couple of months ago. I talked about the importance of removing North Korea—and getting it to be deserving of being removed—from the terrorism list. We have taken very modest economic steps as obligated under the Agreed Framework, but further such steps and further normalization will depend on progress on our agenda as laid out in my statement.

I want to stress that, in all issues concerning the Korean Peninsula, the United States will continue to coordinate closely with the Republic of Korea as well as Japan. Our consultations are intensive and constant, including at the Presidential level, as I lay out in my statement.

To conclude, the Agreed Framework has been a great success in dealing with the North Korean nuclear threat. It serves regional stability and global non-proliferation efforts. We will continue to do everything necessary to ensure the smoothest possible implementa-

tion of the Framework. The key achievement of the Framework is that it freezes—and when fully implemented will lead to the total dismantlement of—the North Korean nuclear program.

But the Framework encompasses more than just the nuclear issue. We are using the Framework to promote a broader approach toward our long-term goals, a durable peace on the Korean Peninsula and the eventual reunification that the Korean people seek. These are issues in which Koreans will play the leading role. As a friend and ally, the United States stands ready to help.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Lord appears in the appendix.]

Mr. BEREUTER. Thank you, very much, Ambassador, for your written statement, and for your oral remarks. I will begin with a few questions. We should have an opportunity to pursue all that we have in mind, Mr. Kim. The House is not expected to vote until 5 o'clock.

After my visit in August, I grew quite concerned about the performance of the Military Armistice Commission; indeed Mr. Plunk raised this issue in his testimony, which he will deliver soon. It seemed clear to me that Mr. Plunk's statement is quite accurate, and that is that the North is systematically trying to undermine the Military Armistice Commission, the MAC, which has for years, of course, been charged with keeping the peace along the DMZ.

It looks like the strategy is withdrawal from the MAC and the United States will then be forced to deal bilaterally with them, thus cutting the South out of the picture. At this point it seems to me the Administration has been largely silent on this issue, but I think it is a very disturbing development. The other countries' personnel have been thrown out, particularly after the Czech Republic's role in the world changed. What in fact has the Administration been doing about this continued and increasing problem with the North Koreans? What should we be concerned about?

Mr. LORD. It is a very important issue that warrants being highlighted at this hearing. We are very concerned about it. We have not been silent about it either privately in diplomatic exchanges or publicly. I covered it in my own statement today. I have not had a chance to read Mr. Plunk's statement. If he says the North is systematically trying to undermine the Military Armistice Commission, he is absolutely right. It has been trying to do so for several years.

What we have done, above all, is to make it very clear that this North Korean effort to deal with us directly on military matters or on a peace agreement will not work. We have been absolutely rock solid on that over and over again. The North has received no encouragement from us.

The North will not achieve its goal. However, the current situation is dangerous because it impairs communication across the DMZ. It increases the risk of an accident or an escalation. We have made a series of proposals to the North, in full consultation with the South, to increase communication and avoid dangerous situations. Those proposals remain valid.

Again, we insist on equal South participation, but the North has ignored that. I do not know what we can do except refuse to accept North Korean rejection of dialog. We will continue to insist that the

North is obligated, and we will encourage other countries, including China, to point this out to North Korea.

Although China withdrew its personnel, it agrees that the Commission has to remain in force until there is a peace agreement. The Chinese have given us diplomatic support in this regard.

I welcome suggestions, Mr. Chairman, but we agree it remains a serious problem.

Mr. BEREUTER. It is a serious problem. Our relationships with the PRC are not the best today, but there has been some discussion about what I think people refer to as the two-plus-two arrangement whereby the People's Republic of China or the United States tries to be more active in encouraging this dialog between North Korea and South Korea. Do you think that holds any prospects?

Mr. LORD. I hope so. The Chinese in their own interest have been helpful on this issue. We continue to work closely with them on it. This is one of the reasons—despite all our problems with China—that we want to try to maintain an overall relationship with China.

There was some talk last summer around the time President Kim of South Korea visited here of a possible approach along those lines. It was never officially announced, but there were many suggestions from Seoul and elsewhere.

Again, it is up to South Korea to determine what kind of approach makes the most sense. We would listen carefully to whatever the South Koreans suggest, and we would offer our views. But they must take the lead on these questions. I would rather have them speak to this.

Without endorsing specific proposals and without knowing fully South Korea's intentions, let me say as a general proposition that any initiative that includes China and the United States, and perhaps other countries later, to reinforce an agreement between the North and the South would enhance stability in the region.

That is a lengthy way of saying that a Chinese guarantee, along with our own guarantee, or at least Chinese support, would be a positive move. That assumes this is acceptable to North and South Korea.

Mr. BEREUTER. As you may remember, Ambassador, the legislation that I introduced which was advanced to the House and is a part of the conference report on the foreign assistance bill has a number of objectives. We have just talked about the first of them, the North-South dialog.

The second was related to the curbing of export of weapons of mass destruction from North Korea. I would broaden the question by asking not only what have we done in that respect that you can discuss in an open forum, but broaden it to also cover missile technology, which is reported in the media to be destined for places in the Middle East. What progress do you anticipate we can make in that area, and how would you proceed?

Mr. LORD. This does lend itself more to a more private or classified conversation. We would be glad to brief you more fully. In this forum, let me emphasize that we have made clear from the very beginning that this is one of the most urgent issues on our agenda with North Korea.

There must be progress on these issues for there to be full progress in our bilateral relations with North Korea.

We are looking for further talks with North Korea on these subjects. I cannot go beyond that in this forum, but I can assure you that we made clear this is an important issue for us and it is on the agenda in terms of forward movement with the North in the future.

It is a serious problem. There is no question about it.

Mr. BEREUTER. It leads me to the third question. Should North Korea continue to be on the terrorist country list? For example, do North Korean infiltration efforts deep into South Korea qualify as terrorist activity when death and destruction are a part of those incursions? What effort has the State Department made, and with what progress, to cause the North Koreans to release the several hundred South Koreans that have reportedly been kidnapped and detained over the years? Should they remain on the terrorist list?

Mr. LORD. They are on the terrorist list now. They sent us a statement about a month ago, which affirmed that they were not practicing terrorism. I do not think they would send us one saying they were, but we nonetheless considered this to be a constructive step, although obviously not sufficient by itself. We are keeping that under review. As I mention in my statement, that is another issue on our agenda. One reason we think the opening of liaison offices is in our national interest, and in our allies' interest, is so that we can pursue some of these issues directly. We now have very cumbersome ways of communicating. So this again will be high on our agenda.

With respect to the release of South Koreans, this is a very sensitive issue for South Korea. We work very closely with South Korea to make sure that if we raise this issue, we do so in appropriate ways. I agree with the South's suggestion that this question is essentially a matter for the South and the North to resolve.

Mr. BEREUTER. Ambassador, on March 9th, North Korea reportedly said that it would adopt a "final and unilateral" measure if the United States continued to refuse to sign a bilateral peace accord. What would be the significance of the unilateral abolition of the Armistice Commission if in fact that is what they meant by this statement? What are the implications for us and for South Korea?

Mr. LORD. Well, first, we have heard North Korean rhetoric in the past suggesting somewhat undefined consequences. There is always urging by them to talk to them directly. I made very clear in my statement and my spontaneous comments that we will not do that, that they must deal directly with the South.

Despite their words, we have no proof that this step is going to be taken by them. I do not think we have seen any action since then, have we? Nonetheless, the North has been already, de facto, trying to dismantle the Military Armistice Commission and the existing peace mechanism. The North's recent threat would be another serious step forward, but I do not have any proof that they are actually going to do it. The fact remains, however, that the North has never absolutely declared, de jure, that the Military Armistice Agreement no longer exists. They have been saying it is not good; it is useless; there ought to be a peace agreement—and they dismantle it de facto. You are suggesting that maybe they might, de jure, consider it abolished. I do not know what the practical dif-

ference would be because they are not being very cooperative as it is already, but obviously this would be an unwelcome step.

Mr. BEREUTER. Thank you, Ambassador. I have more, but I think I would like to turn to my colleagues, recognizing first that we have been joined by Chairman Gilman. Welcome. Now I would like to call on my distinguished colleague who, for obvious reasons, understands more about the Korean Peninsula than anybody else in the Congress.

Mr. KIM. I certainly hope so.

Mr. BEREUTER. Congressman Kim.

Mr. KIM. Thank you, Mr. Chairman. I do have a couple of questions, Mr. Lord. I would like to go back to the same issue again about American tax dollar assistance to North Korea. You mentioned that you had a consultation with the South Korean Government, "intense consultation".

That is fine. But I do not see it that way—I see it this way. The South Korean Government, I am sure, will be very polite and give support. What else can they really do? However, the Korean press, all of them, had big headline stories. They say it is a total sell out. They say appeasement. Every single newspaper that I know of.

Now, as you know, South Korea is a dynamic democracy right now and people are enjoying the democratic system as we do. You know that general public perception is important. How are we going to address this issue of the general public and South Korea? Obviously, this anti-American feeling is rising. That is my first question.

Mr. LORD. First, I think it is a fair comment about the Korean press. They have been critical at times. I have said this to our South Korean friends. I will not hesitate saying it here now. I think the South Korean Government should show more leadership in dealing with its press.

Now, we have our own problems with our own press. So we know in a democracy that is one of the prices you pay. But I believe South Korean leaders could be more energetic in explaining publicly to the press what they assure us privately, or at times even what they say officially.

That is not going to solve our problem in a democracy, nor should it. No government should control the press. But I think they could be more energetic in explaining to the press the views which they explained to us. So we are going to need some help from our South Korean friends.

Mr. KIM. Obviously, the government does not support 100 percent.

Mr. LORD. Let me be very precise on this, at the risk of revealing some of the details of our consultations in Hawaii. Before I went to Hawaii, there were rumors in the press that we were going to provide assistance to North Korea and that South Korea was unhappy about it, et cetera.

First of all, when I left, we had made no decision. We were not going to Hawaii to inform them about a decision. We were going to consult whether they agreed with it. That is the way we work with South Korea.

Second, the press envisioned massive aid, 200,000 tons, 300,000 tons, the kind of levels that South Korea and Japan were giving,

not that we ever have or ever would. We would never get the money for that level of aid out of you even if we wanted to. We do not plan to do so.

What we were talking about from the beginning was the equivalent of 4,000 tons of aid. This is a drop in the bucket, compared to the North's needs occasioned by an inefficient agricultural system, and exacerbated by recent floods. What we were talking about, and what we explained in Hawaii, was a response to specific localized flooding, families that could not reach distribution channels and were going to suffer. By the way, just recently the Chinese have concluded that there is real suffering up there and they have resumed their aid to North Korea.

There is obviously a problem up there, but I want to stress we are talking about a very small humanitarian response to an urgent need to localize problems that other food distribution was not getting to.

So we went to Hawaii. I explained this to our South Korean and our Japanese friends. From the very beginning the Japanese had no problem and supported it. My South Korean counterpart said the South Korean Government fully understands this, but pointed out a problem.

We were thinking of providing aid under P.L. 480. P.L. 480 has symbolic significance in Korea as something we provided to our South Korean friends in the 1950's and 1960's. My counterpart told me if we provide P.L. 480 to North Korea, no matter how small an amount, it will be misunderstood by our public.

We pointed out there are two kinds of P.L. 480. The kind that we provided to friends in the 1950's and 1960's, and another kind for emergency assistance of an humanitarian nature with absolutely no political or diplomatic overtones.

Our South Korean friends understood this, but feared the distinction would be lost in the Korean public debate. For this reason, South Korea asked us to please not use P.L. 480.

I passed this view by cable to Washington. I asked if we could give aid in some way that would take into account our ally's problem? The answer was, yes, we can do it under AID emergency assistance, but we do not have as much money there. It is not really the proper vehicle, and the Congress will not particularly like it. Despite these objections, I decided and recommended to my superiors that it was important to show solidarity with the South.

I went back to the South Koreans and said we would use USAID's emergency aid, answering the South's concerns. The ROK agreed. The South Korean Foreign Minister publicly endorsed what we did, as did the Foreign Ministry's press spokesman, despite erroneous media reports in this country.

I am sorry to go into so much detail, but I wanted to show you how meticulous we are in dealing with our South Korean friends. This is a legitimate program for an urgent need. U.N. agencies have verified the need and the distribution of the food. It is for a localized problem. It signaled the North that we do have some humanitarian concern in times of genuine need. It also enabled international observers to stay in North Korea to monitor the food situation.

Mr. KIM. Thank you for that response. I want to say along the same line according to AID, this is really symbolic. And that is not enough, as you said, a drop in the bucket, to make any real impact North Korea.

The question is if we are making a symbolic gesture, do we get good will from North Korea. What have we received in turn? My direct question to you is, isn't it a good idea for us to attach conditions so that North Korea and South Korea could have a direct dialog? We stay out of this delicate situation. We stay as background, continuing to support South Korea. Why couldn't you make this a condition this time to assure that there will be a direct dialog between North and South?

Mr. LORD. Let me say first that, although we will vigorously debate some of the specifics here, I share your strategic intent and objective. I am not just being polite here. I really do mean this. Namely, that this issue of getting the North to talk to the South is fundamental. This is not just a matter of the last couple of years. For 30 or 40 years the North's objective has been to split us from our allies.

So I share your concern. I think we just disagree on some of the tactics and I think we have a much more upbeat view of South Korean views of our solidarity than you do. But if I just read the South Korea press, perhaps I would be discouraged. I do read it, but I would be even more discouraged if I did not also know what the government was saying.

When you get into hundreds of thousands of tons of food aid, you must ask if it is going to be diverted to the military or if the North has depleted its military stocks before it asks for international aid? Should we set conditions, whether it is North-South dialog or other matters? If yes, then questions of leverage and conditions are legitimate. I think when you are considering very small amounts of food aid for urgent needs for stranded families, I think it is legitimate to do as long as our South Korean friends support us, as I suggested they did in this case.

So I do not think this kind of particular move was subject to imposing conditions. I think it should have been the humanitarian gesture we made. We did receive a thank you from the North Koreans. That is not a great deal perhaps by most standards, but for North Korea that is a step forward. We will continue to pace any gestures toward the North in conjunction with the North-South dialog. But we do believe that if the North is prepared to open up, we should encourage that process.

Mr. KIM. Mr. Chairman, I would like to have one more quick question. Humanitarian assistance is fine, but why North Korea? There are other countries too. Second, you keep saying that North Korea has opened up. It is up to us. We have to do it. We have to emphasize, make it clear, that we are not going to go on with this dialog any more. You have to decide your own destiny between the two countries. I am not sure we do that. This is a golden opportunity for me to make that assurance one more time that this is it. We are going to give humanitarian assistance, but this is the condition. I want to affirm this condition one more time. We have got to continue to do this, keep pounding. Otherwise, I do not see how they can ever do a dialog.

Mr. LORD. I think your principle is right. The difficult question is what conditions should be attached to what actions? We would like to improve relations with North Korea. We cannot do much unless they talk to the South. We are absolutely agreed on that. We may disagree in whether a liaison office, which is not a great favor to North Korea serves everyone's interest, or whether 4,000 tons in an emergency should be conditioned. That is where I think we disagree. But on the principle that we cannot go very far or fast without North-South dialog, we are in full agreement.

Mr. KIM. I am going to reserve the rest of my questions for later. Mr. Chairman, thank you.

Mr. BEREUTER. I recognize the Chairman for any comments or questions he might have.

Mr. GILMAN. Thank you, Mr. Chairman. I want to commend you for conducting this hearing at an appropriate time. I want to thank Secretary Lord for being with us. Secretary Lord, you know how concerned we were about the Korean Food Aid program and we wrote to you back in early February outlining some of our concerns. As you noted, I did not want to stop the deliveries but wanted to make certain that nothing would be diverted to the North Korean regime.

I was impressed by Catherine Bertini and her World Food Program. I was also satisfied with the Department's February 13th response to our letter.

Mr. LORD. Thank God we responded to one of the letters. Mr. Kim did not get the courtesy of a response.

Mr. GILMAN. I am going to ask a copy of my letter and the State Department's response be made part of the record.

Mr. BEREUTER. Without objection. Since I am a cosigner, I am happy to put it in.

[The letter appears in the appendix.]

Mr. GILMAN. We appreciate your support of that. Mr. Chairman, I want to ask for the record, and directing it to Mr. Lord, do you believe that the aid given fits into all of the conditions and restrictions you outlined in your letter, Mr. Lord? Are you fully satisfied that all of the representations made to the Congress still hold?

Mr. LORD. Absolutely. With the help of the U.N. programs we will make absolutely sure that this aid is reaching the right people. And we will keep you closely posted on any developments.

Mr. GILMAN. How are we monitoring the aid?

Mr. LORD. Through the World Food Program and U.N. agencies and UNICEF.

Mr. GILMAN. Are American nationals involved in those organizations that are monitoring the effort?

Mr. BROWN. There are some American nationals involved in those organizations and we are hopeful that some of them will be part of the actual monitoring in—

Mr. GILMAN. Is any of the program now under way? Is some of the food—

Mr. LORD. As you know, the way it worked in this particular case, the first \$225,000 went through UNICEF for nutrition for children and other supplies. This food aid which we have been discussing is indirect. We indicated to the U.N. agencies that we would be prepared to fund other programs with other countries

which released money and commodities which they could then ship to North Korea. My understanding is that the first shipment is on its way from North Korea to Bangkok right now.

Mr. GILMAN. When did they anticipate that that would arrive?

Mr. LORD. March 21st.

Mr. GILMAN. Mr. Secretary, in January North Korea announced that it was going to stop looking for the remains of our U.S. soldiers missing in action. That announcement stated that America's lack of appreciation and compensation contributed to its decision. Could you tell us what the current status of the remains dialog is and how much has the United States paid for these remains over the years?

Mr. LORD. Again, I do not know how much I can do in open session, Mr. Chairman. It is an important issue for us. We had talks in Hawaii and I mentioned in my statement that Deputy Assistant Secretary Jim Wold in the Pentagon is head of the MIA office.

These talks were making progress up until the last minute when there was an apparent change in the North Korean position. We are hopeful these talks will resume. What we are facing is not unlike what we face in other countries. We provide money for expenses incurred by a country to help us locate remains, without paying ransom for inappropriate reasons.

I think we would have to talk about it in further detail in a classified section, but we would be happy to brief you on that. The fact is we have offered in the past, as we have with Vietnam and others, some compensation for expenses incurred in looking. But we do not believe, as you know, in ransom.

Mr. GILMAN. Have we paid for some of the expenses today?

Mr. LORD. We have in the past. We did pay once before 1993, before this Administration took office, and we are now negotiating future arrangements.

Mr. GILMAN. You are negotiating further expenses with the North Koreans?

Mr. LORD. Well, that is among the issues being discussed.

Mr. GILMAN. Well, tell us just what cooperative efforts the North Koreans have made with regard to our MIA search.

Mr. LORD. Well, I think it is fair to say they have not been particularly cooperative so far, but we are pressing this very hard and we are hopeful that we can make progress in the future.

Mr. GILMAN. Is North Korea still exporting materials essential for the construction of chemical and biological weapons?

Mr. LORD. Again, we are in open session here. I will be glad to talk to you and brief you privately, but there are questions that are difficult to answer in a public session. I can tell you that we monitor these very carefully and these kinds of issues are on our agenda. But beyond that I cannot go.

Mr. GILMAN. Can you tell us whether they are? I am not asking specifics. Are they exporting chemical and biological weapons?

Mr. LORD. I cannot confirm that in open session.

Mr. GILMAN. All right. Mr. Chairman, I hope that we will find an opportunity to explore this in closed session.

Mr. LORD. This is not a matter of trying to withhold information. It is just a matter of what is the appropriate forum.

Mr. GILMAN. I recognize that.

Mr. BEREUTER. It is appropriate that we have a closed session with the ambassador and anyone else that you want to attend, plus the intelligence community. I believe that they are exporting materials essential to ballistic missile technology. Something you cannot respond to. I am not going to ask you to. But that is my belief. And I think the subcommittee and any members of the committee ought to have an opportunity to visit with you in closed session on this.

Mr. GILMAN. One last question. Mr. Secretary, North Korea reports are it has experienced a small wave of recent defections of senior and mid-level diplomats and military personnel. Can you tell us what accounts for these defections?

Mr. LORD. Well, as you know, trying to figure out what is going to North Korea is very tough given the lack of information. It is one of the most opaque and closed societies in the world. One has to surmise that these defections are related to the severe economic situation. Whether there are political overtones or not, I just do not know. I do not want to pretend knowledge that we do not have. There have been some defections. It does reflect strain in that society.

Clearly, they have severe economic problems. We have no proof or nor do any of our friends or other people we talk to that they are in danger of imminent collapse by any means, but they are under severe strain. There have been estimates of their food shortages, and I assume it is related to that. But I just do not want to mislead you about our precision about what is going on in North Korea.

Mr. GILMAN. Are we getting an accurate estimate of how bad the food problem is in North Korea?

Mr. LORD. Most of the estimates are in the same ballpark. I discussed this at great length with our South Korean and Japanese friends in Hawaii, for example, trying to correlate our estimates. We do this with the World Food Program. The feeling is that they have a severe shortfall and it has ranged in estimates from about one to two million tons, I believe.

Actually, the United Nations and others have just revised their estimates upward, I believe, from 1 to 1.9 million tons, but I want to double check those figures. This causes severe strain. We do not have evidence of an imminent collapse or a widespread starvation, nor do our other friends. But there are obvious nutritional deficiencies. And there seem to be rationing problems. It is a very serious situation, no question about it.

Mr. GILMAN. Have any of the FAO officials seen firsthand evidence of starvation and famine when they visited or tried to monitor the situation?

Mr. LORD. Let me check with my colleagues. I think the overall impression is more in the lines of malnutrition rather than outright starvation or famine.

Mr. GILMAN. Thank you. Thank you, Mr. Chairman.

Mr. BEREUTER. Thank you, Chairman Gilman. Thank you, very much Ambassador Lord for coming to appear before the subcommittee today. We appreciate your willingness to make yourself available for our questions. There are some things that we would like to ask you that you cannot answer at this point. I am looking forward just as much—with no slight intended to you—to the sec-

ond panel because there are some things about which they can answer or speculate which you are not allowed to.

Mr. LORD. Right.

Mr. BEREUTER. Sometimes they are your critics and other times they will give us reinforcing information for your position.

Mr. LORD. Well, it is a good panel. Could I make one last concluding comment?

Mr. BEREUTER. Certainly.

Mr. LORD. I genuinely appreciate the debates here and we certainly are on the same wavelength with respect to the need to stay closely with our ally, et cetera. I think this is one of the more complex challenges in foreign policy. The regime in the North poses many problems. We have touched on some of them today. We have got to balance off these various problems. We have got to also make sure we stay in close touch and in parallel with our allies.

We also, however, faced an extremely serious security problem 3 years ago. When we came into office, this Administration, everyone agreed that the North Korean security problem was the most urgent security problem in Asia. Many people felt it was the most serious one in the entire world.

You mentioned in your opening comments that there has been very little media attention recently to Korea. That does not mean there are not huge problems. We touched on just some of them today. It does suggest, however, that we have frozen the most serious security problem in Asia and perhaps in the world for the last 3 years.

Now, we have still got to implement it. But this is no small achievement. And, of course, we have not been able to solve remains and missiles and exports of all these weapons. We had all these problems when we came in. We will continue to work at them. We will continue to monitor the pace of our relations with the North with respect to North-South relations.

I think we have to recognize that the most urgent problem is this nuclear program, right on the edge of producing possible nuclear bombs. You have to balance off various objectives. I have yet to see in 3 years a better alternative to what we have done in stopping that program and giving us a chance to dismantle it in the future. Thank you, Mr. Chairman.

Mr. BEREUTER. Thank you, Secretary Lord. I certainly agree it is indeed potentially the most dangerous situation we face in the world. It was 3 years ago. It is today. Our human intelligence about North Korea is unfortunately about the worst in the world and we are not unique in that position.

I think we are more concerned about how our progress toward the resolution or completion of the nuclear accord fits with our overall relationship with South Korea and North Korea. And that is our prime concern today: to see if, in fact, we are doing what we can to foster North-South dialog and to try to eliminate the terrorist activities and the export of sensitive and dangerous equipment in the process.

Those are all important issues. They do interrelate. But we are not forgetting the achievements that have been placed prospectively underway by the accord. Thank you very much for coming.

Mr. LORD. Thank you. I appreciate this and we will stay in close touch.

Mr. BEREUTER. I would like to call now the second panel. The gentlemen of the panel have already been introduced. I will mention them briefly. I do think that we have an opportunity to explore some of the issues which were brought up to Secretary Lord which we could not discuss in detail. Secretary Lord is a distinguished witness, a distinguished American, and he speaks for the Administration. But the media really misses the likelihood that the most important comments will come from the second panel because of their ability to discuss more directly some of the issues that concern us.

And, of course, we are also pleased to have, for example, a distinguished gentleman with first-hand experience from the U.N. FAO who can speak to the food, malnutrition, and starvation issue directly. Gentlemen, thank you for preparing your testimony and for your willingness to face this for our questions today. As I mentioned previously, your entire statements will be made a part of the record. First, I would call upon the Honorable Donald Gregg, Chairman of the Korea Society. You may summarize as you see fit. Thank you, Ambassador Gregg.

STATEMENT OF HON. DONALD GREGG, CHAIRMAN, THE KOREA SOCIETY

Mr. GREGG. Thank you, Mr. Chairman, Mr. Kim. I would like to try to give a little perspective on what we are dealing with in my remarks. I am on the sideline as far as policy is concerned, but I do follow the situation in Korea with a great deal of interest. And I recall that the last time I testified before this committee was about 2 years ago. Different atmosphere, different chairman, different membership. And one of the witnesses on that day gave essentially hair-raising testimony in terms of—it was a female scientist—what she felt we ought to be doing to prepare for war. And it was truly a disturbing piece of testimony. But that was somewhat the atmosphere. So I would say that progress has been made.

I would like to speak up for the people who have been involved in our efforts. Bob Gallucci who has now gained an appointment at Georgetown, was appointed by President Bush originally. I think he did an extremely good job in negotiating that KEDO arrangement. I think Ambassador Bosworth is also doing a very, very good job and I was very interested to hear him give his own assessment of where KEDO is a couple of weeks ago here in Washington and I will speak to that.

I also think a very important step has been taken by bringing back to active service Ambassador Paul Cleveland who will play the role of head of the American board of Governors of KEDO. He has served for 8 years in Korea, has served twice as an ambassador. He is very well known to the Koreans and I think that this is a step which the Koreans will appreciate because I think during the first part of the negotiations they felt that they were not seeing very much of people who they knew or understood.

I think that one of the striking things that has changed in the last 2 years has been South Korea's attitude toward North Korea. When I left Korea which was about 3 years ago, Kim Il Sung was

still alive. The South Korean attitude toward North Korea was let us put off reunification as long as possible. Let us narrow the gap between North and South. Let us have a soft landing rather than a crash landing and let us just delay whatever accommodating process there is as long as possible.

I would say that that attitude has changed if not 180 degrees at least 150 degrees. The South Koreans are now much more self confident about their own stature vis-a-vis North Korea. They are much more hard nosed and realistic about what is going on in North Korea than they were.

Why? I think part of it is the death of Kim Il Sung who was a towering, austere, forbidding figure whom the South Koreans associated in their minds with truly horrific events starting with the invasion of 1950. He has been replaced by a very strange and somewhat bizarre leader who has yet to really assert himself in the North.

The South Koreans have got North Korea much more clearly in perspective in terms of its economic prospects. And they see it in the context of their own growth. And their point of view is "they are never going to catch up to us".

So this talk of a narrowing gap really does not fly because we are going to continue growing faster than they are. So that the gap is going to get wider and wider. And so if we are worried about the expenses of coming together better that it happened sooner than later.

And this is also translated into quite a tough minded attitude toward us saying, look. If these guys are going to collapse or disintegrate or implode or whatever, let it happen. Do not prop them up artificially.

And I think it is that change in perception which I would seek to call attention to. North Korea has not changed that much. The basic effect of the meeting between Kim Il Sung and former President Carter was that Kim Il Sung was able to voice his desire for a new relationship with the United States which he had said to other visitors including Billy Graham, but the message had not gotten through.

And I think that the North Korean drive for a change in the Armistice Commission is a rather halfhearted attempt on their part to forge a new relationship with the United States.

I have seen a few North Koreans first hand since I last testified. I helped pave the way for a couple of them to appear before a group of American intellectuals and investors in New York. And these two men behaved like 18th century people. They were totally inflexible. They were humorless. They were unable to deal with criticism. They wound up shouting at people who raised questions and they did themselves absolutely no good whatsoever.

And some Americans who were in the audience who had been thinking of investing in North Korea came to me afterwards and said, well I am certainly glad I saw that performance because it is going to be some time before we consider that.

I think Kim Jong Il is having an extremely difficult role to play. I think it is clear that the North Koreans are not speaking with one voice. On at least three occasions they have sent contradictory signals. One was when they shot down our helicopter early last

year. The second was in the POW-MIA talks where in a more or less accommodating posture by the Ministry of Foreign Affairs was undercut by the military who took a much harder line and more recently in statements about the need or lack thereof for food.

I think that Kim Jong Il is trying desperately to somehow prove to the hard line faction in North Korea that there is some benefit to changing and to opening up. I think he would like to somehow deliver if not our head on a plate at least part of our anatomy to say to the military hardliners, see, here are the fruits of our being more open. Here is a new relationship with the United States.

I do not think it is in our interest to help him succeed in that. I also do not think it is in our interest to drive the North Koreans unnecessarily into a corner.

There is a question of what is going to happen to North Korea. I think that collapse is too strong a word. Collapse I think sort of indicates that something has been built to a height which when it falls, collapses. I do not think they really have accomplished that. I think the kind of disintegration which we have observed in the Soviet Union is more likely to take place in North Korea rather than the kind of collapse that we saw in East Germany.

I think we also have another factor to take note of and that is at a time when our relations with Japan are strained, our relations with China are strained, our South Korean allies are entering a much more active diplomatic area. Foreign Minister Gong is in China as we speak calling on the Chinese to act with restraint vis-a-vis Taiwan. President Kim had a recent very good meeting with Prime Minister Hoshimoto. And we see South Korea talking about reconstruction of rail lines which would tie the Korean peninsula together with the trans-Siberian railroad. We see South Korea having succeeded in having the next Asia-Europe meeting take place in Seoul in the year 2,000.

And so we see South Korea emerging as a more active, very positive diplomatic force. Whereas North Korea remains tentative in a corner, reluctant to face the world, suspicious of change, suspicious of themselves.

From that, I think it is obvious where our interests lie. Our interests lie in staying very closely in step with our South Korean allies, doing what we can to bring North Korea out of its isolation if it is in itself willing to take that risk. If not, I find myself increasingly say let the chips fall where they may.

Mr. BEREUTER. Thank you, very much, Ambassador Gregg. I would like to now call Mr. Stanley Roth, director of Research and Studies, U.S. Institute of Peace.

STATEMENT OF MR. STANLEY O. ROTH, DIRECTOR— RESEARCH AND STUDIES, U.S. INSTITUTE OF PEACE

Mr. ROTH. Thank you, Mr. Chairman. After serving on the staff of the subcommittee for more than a decade, participating in over 200 hearings, I must say it is a strange sensation to be sitting on this side of the Chairman.

Mr. BEREUTER. Welcome nevertheless.

Mr. ROTH. I thank you for this opportunity to testify. I can state honestly up to this point it has been a pleasure. I should make the usual caveat that my Institute requires at the beginning which is

that I am speaking as an individual and not on behalf of the U.S. Institute of Peace. The views reflected are purely my own.

I would really like to make only three points although they are expansive points. The first one is that I was struck during the questioning of Ambassador Lord that there was a little bit of a logical disconnect.

He was admonished at the beginning of the hearing in the opening statements and in some of the questions about U.S. policy. There was a sense that U.S. policy was rewarding bad North Korean behavior by having too many contacts with the North, by moving too fast.

And yet at the very same time questioner after questioner asked him what are we doing about missiles, what are we doing about terrorism, what are we doing about POW-MIAs? You cannot get progress on the discrete issues, particularly with a country with which we do not have diplomatic relations in which we do not have a presence, if you do not talk to them.

To the extent we want progress on the discrete issues, we have to have a venue for negotiations. You cannot have it both ways. We can stonewall them and not talk about anything, but then I think the committee should not expect any progress on missiles, any progress on POW-MIAs or any progress on any of the other issues.

I would argue that the reverse is more in our interest. Mid-level talks, which is all we have been having on discrete subjects, is not giving away the store. For example, we are correct in not negotiating with them about a separate peace treaty. That would be out of the question. We did not do that in Honolulu even though they would have liked to have done that. We did not do that on the food talks. I think that was appropriate. But I think we do need some type of venue for diplomatic discourse with them if we are to achieve the progress that you have indicated that you want.

Going back now to my prepared testimony, I want to emphasize first a few remarks about the situation in North Korea itself. The subcommittee correctly focused its attention with a policymaker on policy, but did not talk very much about the situation in North Korea itself.

I am very struck by just how little we know at the moment about North Korea. I think it is useful sometimes to remind ourselves what we do not know. What do we not know? Who is in charge? We really cannot say that Kim Jong Il is in charge. Although we cannot say that we have any evidence that anybody else is, the fact that he has not assumed the formal reigns of power as we close in on the second anniversary of his father's death suggests that something is wrong.

And even if he eventually succeeds to power, you have to ask the question: is there opposition? And is this a man who is going to rule or reign? Very important questions.

Second, we do not know the staying power of the regime. I am always asked at every meeting on Korea: do you think the regime is going to collapse? Do you at least think the government is going to collapse? Is there going to be a coup? And the only honest answer we can tell people is that I have no idea. There is no way of giving an objective assessment. All the experts can do is give you

gut feelings based on nothing but our own sense of what is going on. There is simply no hard evidence.

But we do know what are the questions to ask. The questions to ask are: How loyal are the troops, the senior officials and the party cadre to Kim Jong Il? We do not know the answers to these questions, but we are looking for them. And those are the indicators that you, as you read the intelligence, should be looking for.

Third, there are important gaps in our knowledge about the food situation. I will not dwell on them since we have an expert next to us. I will just point to one key aspect: food stocks. If we know that there is not massive starvation now, if we know there is malnutrition now and if we know that the crunch point is likely to come in August or September, that still does not answer the \$64,000 question which is does the North have stockpiles of food which it could draw down to resolve the problem? Do they really need our help in a legitimate sense? Without knowing the size of their stocks, it is almost an impossible question to answer.

It is the assessment of the World Food program, based on a telephone conversation the Institute had with Trevor Page in Pyongyang, that the military has drawn down food stocks. But whether it has totally drawn down the stocks or partially drawn down the stocks, is unknown. That is going to make your job, if you have to consider any future food aid requests, all the more difficult.

Finally, there are questions about the North's military capabilities. Without belaboring the point, I think we should be aware of the tendency to make the North ten feet tall. We need to ask questions like: What are their logistics? What is their food situation? Is a country that is so short of food capable of feeding its soldiers properly? Do they have spare parts? Do they have the logistical capability to operate an offensive campaign?

I am not trying to suggest that the military situation is not serious or that the North Korean troop deployment so close to the DMZ is not destabilizing. But I think we need to avoid, again, demonizing them and making them ten feet tall the way we did with the Iraqis prior to the Gulf War.

By raising all these questions about what we do not know, I am trying to basically set the stage for making policy in what is a near vacuum of information. This suggests to me that we have to get to fundamental questions of national interest when we are dealing with policy toward North Korea. And it is very important in my judgment not to get consumed by the relative trivia, such as the opening of a liaison office or even the need to start a North-South dialog, which I would argue is becoming an increasingly irrelevant issue.

I believe that the United States and the Republic of Korea have an absolutely common interest: the preservation of peace and stability on the Korean peninsula. I think that goes without question.

The real question is how we do it. Once again we have an absolute consensus with the Republic of Korea that the preferable goal is a soft landing. We will get to the question in a minute of whether that is achievable.

Now, it is not immediately apparent why a soft landing should be desirable. I hear a lot of people asking why do we not just collapse this regime? It is so bad on human rights. It is so despotic.

It is so contrary to our interests in some of its behavior, why do we not try to bring it down?

The answer is two-fold. First, because it is dangerous. We have no assurance that the North Koreans will go peacefully. We could indeed try to isolate them. We could try to starve them. We could try to restrict trade to them from other countries as well as continue our own trade ban.

But there is a very serious risk that an isolated, desperate, increasingly hungry North Korea could go down fighting. And you do not have to assume a suicidal attack. The scary part is you could posit a rational scenario from the North Korean perspective.

They might conclude wrongly or miscalculate that at a time when South Korea is preoccupied with political scandal, at a time when the United States is preoccupied with an electoral campaign and Bosnia, that this is the perfect time for them to undertake a military exercise, seize some territory, sue for peace and big bucks.

This is not in our sense a rational scenario because we know the outcome. We will win the war along with our allies, the ROK and Japan and North Korea will cease to exist. But from their perspective, they could miscalculate just the way Saddam did. Therefore, one of the fundamental goals of U.S.-ROK and Japan policy, I believe, should be to do everything possible to try to prevent them from making this miscalculation.

One of the ways to do this, of course, is to keep our military deterrence as high as possible. This is the point that former Ambassador Jim Lilly makes and one about which I agree completely. And, of course, the United States is doing that with bipartisan support from the Congress.

But the second way is to deal with the economic plight of the North, at least to a minimal degree. I would argue, and this gets back, by the way, to the second reason why we should not just try to bring the regime down, which is the enormous economic cost to the South.

Every time I go to the Republic of Korea, I am given a higher estimate of what they think the cost of reunification would be. The last time I went this past fall it was \$1.2 billion. Daryl Plunk has just been back. I suspect he has even a higher estimate. But the point is the South feels it cannot afford it, that they are not as affluent as West Germany was when it absorbed East Germany and even they are having a hard time.

Now, if we agree then that soft landing is our goal, is it achievable? The answer may be no. It may be that the North Koreans are simply unwilling to make the fundamental economic reforms and political reforms necessary to justify the international assistance, trade and investment that would be needed to truly turn around the economy. No one is going to throw money down a rathole. No one is going to undertake a Marshall Plan for a regime whose behavior is as despicable as the North's.

And so if they are not willing to fundamentally reform, I think there really is no prospect for them getting the kind of assistance, trade and aid that they would need to turn the economy around. This leads me to believe that a soft landing may not be possible. I have, therefore, come up with the bizarre, rather unsatisfying phrase of "a softer hard landing".

What I mean by this is a policy by which we try to keep the North Koreans from reaching rock bottom or desperation, the scenario in which they might lash out at the South and of course drag us in. This means that you do not allow them to reach severe malnutrition or starvation.

It suggests that the food assistance, the \$2 million we gave, which was a drop in the bucket, is entirely appropriate. It further suggests that if the situation gets worse next August, the United States, in consultation with our allies, probably should do more, not just for humanitarian considerations, but out of basic national security interests, because it would be a stabilizing step and something much cheaper than the possible alternative, which is war.

It does not mean we are going to flood this place with aid. It does not mean we are going to rescue the regime. But it does mean that there is a case to be made for consultations with Japan and the Republic of Korea, an agreement among the three of us that we may well need to give at least minimal levels of aid, trade and investment in order to prevent this regime from going down in a precipitous and destabilizing fashion.

Let me finally make some remarks about North-South dialog. I sometimes think that North-South dialog has taken on the nature of theology. Obviously, it is the most desirable outcome if we could get the two parties on the peninsula to talk to each other. And obviously that is the correct goal of our current policy. But that policy is not based on the premise of a North Korea that has collapsed and I believe North Korea is exhibiting all the signs of a failed regime.

The fact that this proud regime, which has built itself on "juche", or self-reliance, has had to ask its enemies for food aid, the fact that there are now over 1,000 North Korean defectors in the last year, according to press reports, the fact that they have behaved relatively reasonably on a host of issues on the U.S. bilateral agenda, all suggest that this regime is facing severe problems that are getting worse.

And so we may now well face a situation where this regime is not going to endure, even though we cannot predict when or how the ultimate collapse will take place. But all this suggests that North-South dialog is not going to be particularly relevant in a scenario of collapse. So I think what we have to really do in this dangerous period ahead of us, all three of us, the United States, the Republic of Korea and Japan, is focus in on the bottom line national interest, preservation of peace and stability, try to get as soft a landing as possible without rewarding any bad behavior on the part of North Korea. It is not a very satisfying policy, but I think it is a necessary one. Thank you.

[The prepared statement of Mr. Roth appears in the appendix.]

Mr. BEREUTER. Thank you, very much. Next I call on Daryl M. Plunk, Senior Fellow, the Asian Studies Center, the Heritage Foundation, for his remarks.

**STATEMENT OF MR. DARYL PLUNK, SENIOR FELLOW—THE
ASIAN STUDIES CENTER, THE HERITAGE FOUNDATION**

Mr. PLUNK. Thank you very much, Mr. Chairman and Congressman Kim. It is a pleasure to be here and an honor to be on this panel with such distinguished colleagues.

Stanley Roth's remarks remind me that the North-South dialog, of course, has become a drum beat for many of us who are concerned about Korea. I would differ in perhaps a fundamental way from what Stanley had to say in that I do not think that dialog has become irrelevant.

It sometimes appears that way, but frankly, I believe the way the Clinton administration policies have been handled over the last few years have made such dialog appear to be very difficult, if not impossible. We have seen useful dialog in the past. We have seen the North give in when faced with obstacles which it cannot overcome. We saw the most significant dialog back in 1990 and 1991 which led to very important agreements between North and South Korea, agreements which remain relevant today. However, they are ignored to a large extent by North Korea.

But the nuclear crisis put North-South dialog in recess. And frankly, I think the Clinton administration's "Agreed Framework" has given the North Koreans the sort of leeway to continue to avoid North-South dialog.

During the Reagan and Bush administrations, U.S. policy maintained that full compliance with the North's NPT obligations was a prerequisite for improved relations with the United States. When the Clinton administration signed the nuclear deal with North Korea in October, 1994, it essentially abandoned that position. The Administration should not have backed down on America's insistence on nuclear transparency as a precondition.

In return for Pyongyang's full compliance at that time, the Heritage Foundation and others were certainly willing to support a generous so-called package deal for the North Koreans, a package of political and economic benefits from the major powers in the international community.

What North Korea urgently needs now, and I think we all agree with this, is economic revitalization and reform. Instead we are talking about supplying them electric power 10 or 15 years from now.

What is urgently needed now on the Korean Peninsula is, first, a clear end to the nuclear threat, and second, meaningful tension reduction steps. Instead, it is my opinion that the deal the Administration signed in nearly a year and a half of operation has achieved neither of these goals.

And, of course, with 37,000 American troops stationed in the Republic of Korea, nowhere else in the world are more Americans at risk. The framework has not lessened the serious dangers posed by Pyongyang. I noted that if there was one word Ambassador Lord used more than any other in his testimony, it was the word serious. We all agree it is a serious threat.

Just this past Friday, General Luck in testimony here on Capitol Hill reinforced these concerns. He talked about the fact that the North could attack without moving a single piece of its weaponry

forward. Missiles, of course, are a great concern as well. He specifically voiced great concern over the threat posed to our forces.

Mr. Chairman, you raised the issue of the MAC. That is another serious issue. We have no continuing substantive military dialog going on across the DMZ. Meanwhile, the North is carrying out open acts of hostility.

I was a little disappointed that Assistant Secretary Lord did not address directly your question about the commando insurgency that occurred in October last year. It was striking that the Administration chose not to make an issue in terms of the Agreed Framework. It was an act of terrorism and provocation. There is no question about it.

The North has pledged in the Agreed Framework to engage in North-South dialog. But it has pointedly refused to do so.

Congressman Kim raised the issue of attitudes in South Korea. I, too, would take issue with Assistant Secretary Lord's position that it is mainly the press. I can tell you that at senior levels of the South Korea Government there is great uneasiness and indeed considerable opposition to the way our policy is operating today. And certainly in the private sector among the people in South Korea there is great concern over America's judgment regarding the security relationship. In fact, I believe that we have reached something of a low ebb in confidence between the United States and Seoul in these areas. It is simply no secret that the South Koreans have little faith in the process as it is being run.

Pyongyang, of course, senses this schism between the two allies and is doing its best to take advantage of that. The Clinton administration, as evidenced by Assistant Secretary Lord's statements today, repeatedly emphasizes the great importance of the freeze.

I think the importance of that freeze is exaggerated. Every single component of the North's nuclear program remains in its hands and could be resumed—reprocessing and so forth could be resumed at any time.

The North Koreans have been given a long-term license to violate the NPT. Specifically, fulfilling its special inspection obligation has been delayed. In fact, North Korean officials have publicly contradicted the Administration on several occasions by saying that they will never allow international inspection of the two suspect sites that have been controversial for so many years.

Meanwhile with the enriched fuel that they have hidden in those sites, the North could be secretly constructing nuclear weapons at this very moment, something that the Administration itself has admitted.

Why then does the Administration place so much confidence in this process? The answer to this question is somewhat disturbing and I believe related to some of the things Stanley said. It is my judgment that many in the Administration feel that the Agreed Framework's primary function is to hold the North's nuclear program in check, offer it minimal financial assistance and wait until a time in the not too distant future when the regime collapses. The Agreed Framework itself will probably never be fulfilled, many admit, and light water reactors will probably never be built.

But while this is an interesting theory, I think it is not one upon which our national security policy should be built. First, I would

not underestimate Pyongyang's ability to persevere under difficult circumstances. The Chinese, in fact, may at some last moment come to Pyongyang's aid because I think the Chinese see no reason to allow the North to collapse.

More importantly, if the North were to slide toward collapse, this as Stanley pointed out would pose a serious threat to the United States and the ROK. Whether or not they have food or oil or money, they certainly have the ability to lob chemical weapons or nuclear weapons, across the border into the South.

On the other hand, even if the regime collapses without using nuclear options, as has been mentioned today, sudden reunification would be a very, very expensive option or scenario for our trading ally, South Korea.

So this built-in soft landing plan that some in the Administration appeared to embrace is really not the answer. This is wishful thinking. More needs to be done and North-South dialog in my opinion does remain the answer.

So I would propose in close consultation with Seoul that we press Pyongyang for immediate resumption of high level talks. I mentioned the 1991 agreements between the two sides. Those agreements could act as a framework for resumption and a blueprint for progress.

These talks need to address military issues first, in my opinion. Mr. Chairman, you raised the two-plus-two option. I think that is one that needs to be studied carefully. The Chinese, I have been told, have given some positive response to the idea of this two-plus-two idea. Beijing and Washington could help guide talks between North Korea, and even become directly involved in them if necessary.

This kind of process could serve our national interests while easing the North's international isolation and perhaps slowing the deterioration of its economy because collapse, of course, is not in anyone's interest at this point. Finally, I would consider the idea of a high profile, experienced American as a special envoy to jump start these dialogs. Assistant Secretary Lord has worked long and hard and has done a good job. He has many things on his plate, however.

I think that someone designated by the Administration to work extensively and solely on this issue would be helpful. If the Bosnian crisis warrants the kind of shuttle diplomacy we have seen, I think the Korean problem certainly does.

We have talked about the fact that we do not know what goes on in Pyongyang. A special envoy could help us to reach the higher levels of the government in North Korea and perhaps shed some light on the leadership there. Not to mention getting this dialog started and getting some real military steps going to open communications between the two sides and eventually reduce troop and weaponry levels.

That is the key to America's interests on the peninsula. The cold war is over. Pyongyang no longer has China and the Soviet Union waiting to back its aggression. Its system is dying. It needs some way to at least extend its survival. Still it resists the tide of history and threatens peace. I think it is time for the Clinton administra-

tion to do more and take more aggressive steps to defuse the situation. Thank you very much.

[The prepared statement of Mr. Plunk appears in the appendix.]

Mr. BEREUTER. Thank you, very much, Mr. Plunk, for your remarks and paper. We are now fortunate to have Dr. Abdur Rashid with us. I read that you were overseeing the visit to North Korea, of part of the U.N.'s FAO, to examine the situation. I hope that means you were directly involved or you can give us some very good insight on this. And I notice your paper does that.

Dr. Rashid is the director of Global Information and Early Warning System for the U.N. Food and Agricultural Organization. Dr. Rashid, we have a Taiwan resolution on the floor. If I leave in the middle of your comments, it is only because I have to lead the debate and I will return as quickly as possible. Please proceed as you wish.

STATEMENT OF DR. ABDUR RASHID, CHIEF, GLOBAL INFORMATION EARLY WARNING SYSTEM, U.N. FOOD AND AGRICULTURE ORGANIZATION

Dr. RASHID. Mr. Chairman, thank you for giving FAO the opportunity to present its assessment of the current food and agricultural situation in the democratic People's Republic of Korea.

With your permission I would like to summarize the testimony and request that the full document be——

Mr. BEREUTER. That would be appreciated. Your entire report will be made a part of the record. Thank you.

Dr. RASHID. As the present issue of food supply and the democratic People's Republic of Korea is complex and goes far beyond the consequences of floods last year, I would like to put the various contributing factors into perspective.

The democratic People's Republic of Korea is presently in the midst of an economic crisis principally brought on by the country's difficulty in adapting to a changing world economy and the loss of traditional markets. The disintegration of the USSR and much of its traditional barter trade and the rapid pace of economic liberalization in China and much of the eastern block has effectively led to the cessation of privileged economic ties with these countries on which the economy depended heavily.

In spite of a deterioration in trade, however, the country has resolutely followed an economic policy based on self-reliance. This has reinforced economic isolation and has meant that modernization of the productive sector has failed to keep pace with that of main competitors in Southeast Asia.

Today the country's industrial base is less efficient and competitive and, if I may use the terminology, has "missed out" from most of the benefits of economic boom other countries in the region have enjoyed. In brief, the country today has low foreign exchange reserves, a large and persistent trade deficit and very limited access to international credit.

In relation to food production and food supply, this has two major repercussions. First, the country's inability to import sufficient quantities of farm inputs or raw material for their manufacture to maintain intensive agricultural production. And second, its increasing inability to import food commercially to bridge the food deficit.

Turning now to the agricultural sector, total arable land amounts to some 2 million hectares, though only some 1.4 million hectares is suitable for cereal and other food grain production. The limited potential for expanding domestic food production through area expansion led the government to place heavy stress on intensification of agriculture: irrigation, mechanization, intensive use of agrochemicals and electrification.

In addition, the system of crop husbandry is extremely labor-intensive and relies heavily on the philosophy of individual plant care from seeding to harvest. Short fallow periods, high plant densities, high doses of chemicals and limited crop rotations have inevitably led to declining soil fertility which has contributed to a continual structural decline in food production.

In 1989, considered an optimal year, main cereal production was officially estimated at 8.1 million tons. By 1993, this had fallen to around 6.5 million tons. In both 1994 and 1995, the underlying decline in food production was compounded by hail storms and floods and production suffered a further decline.

As a result of a combination of weather and inherent sectoral problems, we estimate production in 1995 at around 5 million tons, some 3 million tons less than in 1989 and 1.7 million tons below 1993, the last normal weather year. Of the 1.7 million tons decline between 1993 and 1995 we estimate that roughly .8 million tons is attributable to underlying problems in the sector and would have occurred anyway and .9 million tons to the floods.

All the evidence suggests that the floods in July/August 1995 were extremely damaging. However, there is little doubt that the country would have carried a substantial food deficit this year even if floods had not occurred for the reasons mentioned earlier. Irrespective of its increasingly limited capacity to produce more food domestically, the country has to feed a growing population estimated at some 22 million people and increasing at a rate of 2 percent per annum.

Certainly declining food availability has resulted in successive downward revisions in food rations and a drawdown of stocks which are now estimated to be virtually depleted. Moreover, economic problems including low foreign exchange reserves, a large and persistent trade deficit and low international credit rating also mean that the country faces serious obstacles to importing large quantities of food grains commercially to meet a growing food deficit.

In addition, the country's capacity to import food has declined further due to high international grain prices which are likely to continue at least for some months and by tight regional supplies.

Mr. Chairman, over the next 6 months, the country will need increased food imports to avoid serious shortages, especially in the lean months beginning June, July and before the next harvest of rice and maize. There is a shortfall of some two million tons which will need to be covered by commercial imports and food assistance.

Of this deficit, the government has given an indication that it may be able to import around 700,000 tons commercially of which a sizable proportion, 200,000 tons, is from Japan under an agreement which allowed 20 years grace and 30 years for deferred payments.

Even if the government could import the remaining 500,000 tons commercially, which is questionable, given its current economic plight, the country would still have a significant deficit of some 1.2 million tons. Although most of these could be provided in the form of program food aid or balance of payments support for commercial imports, failure to do so in the near future could mean that more and more people would require emergency food assistance.

The immediate emergency needs involving 20,250 tons of rice and 675 tons of vegetable oil for 500,000 people most affected by floods for 3 months has been largely met. However, this is an interim measure that temporarily covers a small part of the population. There remains the urgent need to mobilize resources to assist a larger number of vulnerable people including farm households affected by floods who have no stocks, and no access to the public distribution system. The most at risk are young children and pregnant and nursing women, presently estimated to number 2.5 million by the government.

Over the next few months undoubtedly any assistance will help. However, in the medium to longer term over the next few years the country is in considerable danger of recurrent food supply difficulties given its limited potential to expand domestic food production, either extensively or intensively, declining soil fertility that cannot sustain high doses of fertilizer even if they are available and a shrinking economy that effectively rules out sufficient imports of food to meet the deficit.

It is clear that food supply in the past has depended heavily on the general state of the economy and its capacity to finance imports. This is no longer the case. It is evident that the country urgently needs to address these issues and implement some radical solutions if it is to avoid serious problems in the future. Thank you, Mr. Chairman. I shall be pleased to try to respond to any question that you or Congressman Kim may wish to raise.

[The prepared statement of Dr. Rashid appears in the appendix.]

Mr. BEREUTER. Thank you, very much, Dr. Rashid. I will begin the questioning if you do not mind, Mr. Kim, in light of the potential vote on the floor. First, I would like to ask Ambassador Gregg or Mr. Plunk about the statement that was attributed to General Gary Luck, U.S. commander in South Korea. He warned that the threat of North Korean missiles was growing and that two Theater High-Altitude Area Defense missile batteries are needed in the South as soon as possible. The Pentagon reportedly plans to scale back funds for this system to pay for other weapons modernization programs.

Not only addressing this particular subject, but what, in your opinion, is the current threat level posed to U.S. troops on the peninsula by the North? I did not ask that to Mr. Roth. Because of his recent assignment, he might not feel comfortable answering that. But he is welcome to if he cares to venture. Ambassador Gregg or Mr. Plunk.

Mr. GREGG. Well, I will start and jump in. Seoul lies very clearly within range of the scud missiles from the North. The assumption is that some of them would—certainly could have and may already have chemical warfare heads on them. So that barrages of North Korean artillery into Seoul could be absolutely horrific.

Whether we have developed a weapon system that would really counteract that, I am not certain. I am not privy to all of the analysis, of how Patriot performed in the Persian Gulf. I know Gary Luck very well. I have immense respect for him as a commander.

I think that every prudent military commander asks for everything he possibly can get to make the lives of his men more secure and it is in that context that I think that he is making this request. The North has not pulled back a single weapon or a single troop from a disposition which is for attack, not defense.

And this is what concerns him. This is what concerned me when I was ambassador. And as long as there is this forward positioning of North Korean military, Seoul is extraordinarily vulnerable.

Mr. BEREUTER. Ambassador, thank you. I share your respect and admiration for General Luck. In fact, I believe he is retiring later this year. And if anything, he seems to have more credibility in light of that impending retirement. Mr. Plunk, is there anything you would like to contribute?

Mr. PLUNK. I think Ambassador Gregg covered it quite well and I would agree. It is my opinion that the Patriot missile batteries that are there do not extensively cover our troops, certainly not all of Seoul. And General Luck's request for missile batteries and other weaponries seems to be a reasonable request.

Mr. ROTH. Could I make a—

Mr. BEREUTER. Yes, Mr. Roth.

Mr. ROTH. Without revealing any classified information from my last job, I think it is important to place this issue in context. If we had 100 percent missile defense, theater missile defense, South Korea would still face a staggering threat from the North because of the artillery and the rocket launchers against which theater missile defense is useless. I repeat useless.

Mr. BEREUTER. And, of course, Seoul is within artillery range.

Mr. ROTH. Thirty-seven miles from the DMZ. And so even if you do not postulate the use of chemical weapons, and I do not think we should too lightly assume that they will use them just because they have them. Again, refer to the Gulf War as a precedent. The point is that there would still be a huge threat. The panic factor if artillery or rockets started hitting Seoul or even some of the major suburbs would be enormous. This suggests that there is not a minor technical fix and that if the Administration only approved it and rushed a couple of batteries of a system that by the way does not exist yet and is years down the road, that their problems would be solved. Theater missile defense is an incremental fix to a very small part of the overall military problem on the Korean Peninsula.

Mr. BEREUTER. Mr. Roth, I thought that your comments at the beginning of your statement about the contrast between some expressions that the two of us made and our concern or interest in additional information, particularly from this member, were well taken. It is an interesting problem we have with them. We do not want to provide too much attention to them or enhance our relationship too quickly in light of the potential problems that we create with the South Koreans. But indeed we know so little about North Korea that we do need to have the results of that increased contact.

I wanted to ask you specifically about a comment that you made concerning your assessment of the North Korean military. You warn us against suggesting that they are ten feet tall or thinking in those terms as we did with Iraq's military forces prior to the Gulf War.

Anything you would like to say to elaborate on that would be helpful, but I would also like your opinion as to whether or not the North Korean military is being required by the current situation to draw down their stocks of food and if they are experiencing any austerity in any way as a result of what the country is experiencing right now.

Mr. ROTH. A couple of points. In terms of what I know about food stockpiles, my information was entirely from the World Food Program. Trevor Page, the head of the program in Pyongyang whom we spoke to by phone from the Institute a couple of weeks back, said he has specifically raised this with the North Koreans and he was satisfied that they had run down some stocks. I was trying not to overstate that in my testimony, because if you do not know the total amount of the stocks, you do not know the significance of the drawdown. And I do not want to give them more credit than they deserve. That is the sum total of my knowledge on that point.

I think it is clear, at least anecdotally, that the food shortages in the country generally have had some effect on the North Korean military. We have had reports in the press of defectors from the North Korean Military who have weighed less than 100 pounds, which suggests that there could be some widespread hunger. Again, this is anecdotal. This is not systemic and I do not want to overstate it. But it indicates that they may well have a problem.

What I was trying to get at and maybe did not do very well is to get at the notion that the North Koreans have by and large been rational in their behavior. They have not gone to war since the 1950's despite some temptations at various periods such as the trouble during Kwangju and the reason has been deterrence.

Now they face a situation where our deterrent is as strong as ever. But on top of that, their capabilities are less in some ways. And I wanted to suggest that we take into account the fact that Daryl raised, that they do not have international backing, plus their food shortages, plus their shortages of oil, plus their relatively low tech Air Force, plus their likely difficulty getting spare parts for their military.

When you put all this together, it is hard to imagine a commander recommending to the President or the Great Leader or Dear Leader or whatever, that he should launch an offensive and hope to win. So that narrows the scenario, I think considerably, to a desperate gamble to make limited gains and sue for peace, the kind of scenario that I discussed in my opening statement.

Mr. BEREUTER. What do you make of the theory that the curve is clearly going down in terms of their capability versus that of South Korea and the U.S. military combined? That this is their opportunity. It is either now or never from a military stance.

Mr. ROTH. Most military analysts thought that threshold was crossed last year. 1995 was supposed to be the peak of the military capability and it was supposed to be declining after that. And, of course, no offensive happened.

The argument only goes so far because it does not conclude with the notion of a win. If you argued that we could win today and we will not be able to win 2 years from now, then it is a completely persuasive argument. But you try telling Kim Jong Il that, yes, we should go to war now because we will be less capable 3 years out, but we are going to lose anyway.

Mr. BEREUTER. I would like to ask any of the four of you a question related to Mr. Roth's suggestion that we really do not know who is in charge of running things in North Korea. And I do not dispute that. You may wish to elaborate on that a bit. But how do we know when this is resolved? What will be the signs coming to us that, in fact, he has consolidated power, or, in fact, he has irretrievably lost the opportunity to consolidate power? What are the signals we should watch for, gentlemen? Ambassador Gregg.

Mr. GREGG. I think I would say that North Korea is probably the longest running intelligence failure in the world today which is why we are having to speculate as we are. Kim Jong Il is moving, very, very circumspectly to try to take on the role of his father. I think that we are going to get some signals this July when the second anniversary of his father's death will take place.

And I suspect that he is going to assume more of the titles that his father held at that time. I feel there is more evidence that if anybody is in charge, it is Kim Jong Il. But again I would reiterate that he is contending with a military faction that is terribly fearful.

They know what happened to the East German Army. It was disbanded and they lost all their special perks. They have faith in their military posture. They have faith in their military equipment. They are extremely reluctant, I think, to make any moves that would degrade the posture in which they have positioned themselves for some time. And I think that makes it extremely difficult for Kim Jong Il to satisfy these people.

What are the fruits of opening up? What can he show them to say, look? This makes it worth abandoning self-reliance. This makes it worth abandoning some of the tenets that Kim Il Soong manifested all through his life. That is an extraordinarily difficult thing for him to do.

Mr. BEREUTER. Mr. Plunk.

Mr. PLUNK. Yes, Mr. Chairman. I would agree with Ambassador Gregg's assessment of the leadership. The South Korean Government certainly appears to believe that Kim Jong Il is very much in control for now. In fact, I think they have revised their opinion of him somewhat. He has been known in the past as a very odd fellow and a lot of bizarre habits have been attributed to him.

On the other hand, over the years he was very carefully groomed by this father and was given formal title of head of the military before his father died. The fact that he has not assumed official political positions is now being seen by Seoul as a rather shrewd move by a politician who believes he should not move too quickly into the shoes of his revered father.

Based on what I am told by South Korean friends, who should be as good as anyone at reading North Korean tea leaves, so far he appears to be in charge and stable.

Mr. BEREUTER. Ambassador Gregg.

Mr. Gregg. I had a short conversation with the Chinese ambassador on this subject less than 2 months ago and he said flatly the Chinese feel that Kim Jong Il is in charge. He said that the Chinese do not expect any major crisis in North Korea. He said if they need more food, we will help them. No problem. And he said for us, this was after Jian Zemin had had a very successful visit to North Korea. He said flatly for China he said South Korea now far surpasses North Korea in its importance to the People's Republic of China.

Mr. BEREUTER. That is clear. I am getting a signal I have to go to the floor to participate in this debate. I am going to turn the chair over to Mr. Kim for any questions that he has. I hope perhaps he can ask a few I wanted to ask of Dr. Rashid before he closes the hearing. But I am going to turn it back to you.

Mr. KIM. Thank you, Mr. Chairman. I will handle it. Do not worry about it.

Mr. BEREUTER. I know you will.

Mr. KIM. Thank you, Mr. Chairman. I would like to make just a brief statement followed by a couple of short questions. It seems to me that I am getting conflicting information today—which is good, healthy. But obviously, we do not know much about North Korea. We do not even know if there is any shortage of food.

But from the South Korean's point of view, there is a little reason to panic. A little because of an absence of American support and they do not know what is going on. They are not even part of this negotiation. They are always a step back. Suddenly, we decide to go ahead and supply this taxpayer-subsidized support to North Korea because the North seems to be in a suffering position. But what is going on behind our backs, so to speak? There is an uneasy feeling. No question about that. Mr. Roth says that it is simply an issue with the media. Also, that the Korean Government should have stronger support and lacks communication with the media.

I dismiss that argument because the general public's perception has deteriorated. I think we should take a strong position. Are we going to stand for South Korea—no matter what happens—our ally? We are going to defend your country. We are your friend. I think the message has to be clearly conveyed. That is lacking.

And, now suddenly all this appeasement, sending out these oil supplies and rice, et cetera, leads me to a very uneasy feeling. And besides, I do not know how many meetings we had, we have nothing to show except there is no attack. There is no war. Is that an achievement?

Why do we just keep looking at it and just sort of watch what is going to happen? We are sure they might take some irrational behavior, or make a wrong judgment. They might even have a military assault. Sort of reactive. We just wait to see what happens.

The soft landing. Let us not make the situation even more difficult than it is. How long are we going to continue this? The public becomes more impatient every day. They want to see some results. What is going on? I think we have to have some kind of proactive policy. I do not even know whether we have a vision. I do not know whether we have any policy. What are you going to do? Just continue waiting until they collapse or dismantle or disengage? Is that what we are waiting for?

I thought part of our policy should be unquestionable support of South Korea. Otherwise, public perception in South Korea will be further deteriorated and become an unrecoverable situation. That is the statement I would like to make. I think it really bothers me. I have to agree with Mr. Plunk that I think the situation is much worse than the Administration has perceived that it is.

A question to Dr. Rashid. We do not know much about North Korea. How do you know they are actually starving? Do you have any evidence—first hand evidence—they are actually starving? What can we do? How can you prove that this food assistance program will not be given to the military?

Dr. RASHID. Our mission did not see widespread starvation in the country, but there are clear signs of serious food supply difficulties emerging in the country. This is evidenced by a reduction in the government rations which have been reduced from 900 grams per day to 700 grams per day. Even the calorie norms have also been reduced by the government.

There have also been a number of reports that North Korean refugees are fleeing to Northeast China because of dire food shortages. U.N agencies and NGOs are reporting malnutrition and nutritional difficulties. It is only yesterday I heard that the government has given visas to two NGO officials to study the nutritional situation in the country.

Now, our assessment is that although there is no starvation now, looking at the food supply assessment situation, we think that there will be increasing food supply difficulties with the passage of time. Because what the country harvested was sufficient to cover only 8 months of the requirement.

So food will still be needed to cover the requirements for 4 months but the country is facing increasing difficulties in financing the imports. We have seen in the media the difficulties they are having in negotiating imports with Thailand now.

And we doubt very much that they will be able to import all the requirements of 1.9 million tons this year. If that is not done, then there will be clear threat of starvation in the months ahead.

Mr. KIM. Dr. Rashid, I appreciate that. As I mentioned earlier, according to USAID this is a drop in the bucket. It really does not do any help, just a symbolic gesture. Why are we doing the symbolic gesture, for what? And what do we gain in return? Is that our policy? Do we want to have some humanitarian support? Why are we doing this symbolic gesture anyway? Wasting taxpayer's money. That I do not think is fair asking you such a question.

Dr. RASHID. I can try to respond in a general way. FAO is a humanitarian agency. It is very difficult for us to put cost benefit analysis on humanitarian assistance.

Mr. KIM. Southern Africa is starving. Why North Korea? You said there is no evidence. It simply says no clear signs which implies that you are not quite sure they are really starving. Why is it? What are you trying to gain? It is not humanitarian support. I can see that.

Dr. RASHID. Well, it is in a way. The devastation caused by the floods is well known. In our assessment we have clearly shown that the entire problem is not because of floods. It is a structural problem which has been aggravated by floods in 1995.

We have estimated what would have been the shortfall even if there were no floods in the country? Still the country was going to end up with a shortfall of .8 million tons. On top of that, .9 million tons have been added because of the devastation caused by the floods, which requires humanitarian assistance. If you look at U.S. contribution, it is enough to buy 5,000 to 6,000 tons of rice which will meet the requirements of the affected population. Those 500,000 most affected people for 25 days.

Mr. KIM. But how do you know they are getting this rice? How do you know it is not diverted to a military camp? Do you have any accountability? Do you have any way you can inspect this?

Dr. RASHID. W.F.P. is monitoring—food.

Mr. KIM. I understand it is not really a comprehensive monitoring, but it is sketchy now.

Dr. RASHID. If I may respond, Congressman. WFP has a wealth of experience in this field. I would not challenge their professional integrity in that area. They have openly confirmed that through field monitoring they have found that the food is reaching the rightful beneficiaries.

And if there is a need to strengthen those monitoring mechanisms, of course, it needs more resources. Do we have those resources? When there is no money even to buy food. Where do we stop? There may be cases where even if we insist that we have to see those beneficiaries with our own eyes getting the rations, what assurance do we have that they will not go next day selling it to the market or diverting it to other channels?

Mr. KIM. Are there any other countries participating in this assistance program besides ours?

Dr. RASHID. Sorry?

Mr. KIM. Are other countries doing the same thing as we do?

Dr. RASHID. Yes, the United States is giving humanitarian assistance all over the world.

Mr. KIM. No, I mean, are there any other countries besides us?

Dr. RASHID. I have a list of all the pledges.

Mr. KIM. How many are there? How many countries are there?

Dr. RASHID. I can quickly show you the—

Mr. KIM. Just a dozen or half dozen?

Dr. RASHID. About half a dozen.

Mr. KIM. About half a dozen.

Dr. RASHID. Yes.

Mr. KIM. Only half a dozen countries participate in this humanitarian program with us.

Dr. RASHID. Yes.

Mr. KIM. Obviously, it is not that critical. I do not want to beat this issue to death. I want to move onto the next. Thank you, very much, Dr. Rashid.

Dr. RASHID. Thank you, very much.

Mr. KIM. Mr. Roth—well, maybe you can provide the list for the record.

Dr. RASHID. Yes.

[The information appears in the appendix.]

Mr. KIM. You mentioned these soft and hard landings, I am not sure I catch that. I am not sure I have actually understood the definition. But you also mentioned that there is still apparent danger

that they might make irrational judgments and end up having a military assault. That seems like a separate issue. What do you mean by a soft or hard landing? Can you elaborate quickly one more time?

Mr. ROTH. Sure. A soft landing means before reunification takes place as a result of a peaceful process of negotiations between the North and the South, that there would have been steps taken, presumably negotiated, to improve the economy of the North, raise it to a living standard closer to the South, one that would envision economic investment coming from the South to the North, that would envision funds going from Japan to the North, that would envision U.S. investment and trade with the North.

All of this would be by agreement rather than one party deciding it unilaterally. The goal would be to improve their standard of living to the point where reunification could take place under whatever terms, whether it is federation or confederation, as equals. This is a process that South Koreans think would take at least a decade, if it is doable at all.

A hard landing is one that basically assumes collapse, more like East Germany or perhaps the former Soviet Union where nothing happens in terms of improving the economic well being of the North. When you combine this with perhaps the loss of legitimacy and the leadership with Kim Il Sung's death plus the absence of support now from the former Soviet Union and from China then North Korea simply collapses by some means. Then you could have either massive refugee flows across the border, some desperate military act in the way I have described earlier or else just surrender, like East Germany.

But it means you have a sudden change in the political equation where the South would be hit on day one with a bill of hundreds of billions of dollars.

Mr. KIM. We are losing people. I will make my question short because obviously they are getting less interested. Going back to your assessment, again. There is a little contradiction that on one side with a soft landing we are trying to promote the economic status to such a point. Yet maybe at the same time there is a danger that somebody makes some irrational judgments and decides to attack South Korea. Tensions will continue there.

How long can you just continue this kind of situation, hoping some day they collapse? Or having this little economic rise there or supplying them with a little oil, barely surviving, hoping something is going to happen. It seems to me that is not even policy. It looks very passive. Not reactive. Certainly not. Certainly not proactive. Is that the right kind of policy? Just wait and see if something is going to happen?

Mr. ROTH. No. There are only a limited number of potential policies. One policy would be to try to bring the regime in the North down, an active policy. The government of the South has decided against that and we have agreed with that because of the dangers involved. That is one conceivable policy.

A second conceivable policy, one which both the South and the United States have rejected, is appeasement. We could just flood this place with aid now without any change in behavior by the North. We could reward bad behavior and give them the trade they

want, take them off the Trading with the Enemy Act, encourage American investment, Japanese reparations, unleash the chaebols in the South to go North. Both our governments, the ROK and the United States oppose that.

Between those two extremes is the middle option which is trying to avoid a hard landing. As I said in my initial statement, it is frustrating, because it is not a very decisive policy. But if the North is refusing to make the kind of reforms we are talking about and if we nevertheless perceive that there is a very grave danger that they will miscalculate and use force that is not in our national interest, then we might in consultation with each other, and I come back to the three of us, the United States, the ROK and Japan, agree among ourselves on taking the minimal steps necessary to try to keep this government afloat and minimize the risk that it will make a desperate decision.

This would mean enough food assistance, assuming they reach a crisis point in August, to stave off starvation. It might include minimal levels of trade and investment. And I point out that the South Korean Government has already permitted some of the chaebols to go North to investigate investment possibilities. There is trade amounting to several hundred million dollars between the North and the South. These are limited steps. They are not going to make North Korea rich. They are not keeping the regime afloat, but they are steps to avoid desperation. We may decide it is in our national interest to do more of that.

Mr. KIM. A question to Mr. Plunk then. It seems to me that one of the solutions, and I do not mean this is the only solution, is to open up direct dialog between the North and South with our presence and support. Obviously, the Administration skipped this approach, but I do not. Because once they sit down together, hostility will be evaporated gradually. I think we are actually hindering the process.

I can see that we like to demonstrate that we are the global leader. We are taking charge on these talks. But is that not kind of dangerous gambling? We are talking about nuclear potential attack. Never mind all this macho we are in charge. Is it not better we sort of stand back and support South Korea? Let them have direct dialog and seal their own fate?

Is there an ultimate solution reunited, reunified? That way you do not have to worry about all the nuclear proliferation problems. The problem is gone. Is that not the ultimate long-term solution? Then without the direct dialog, how can you achieve this? We keep interfering in this. That is the problem.

Mr. PLUNK. Congressman Kim, I understand what you are getting at and I agree with you. I think that we have lost sight to some degree of the value of pressing both sides to come back to the table with perhaps the active engagement and involvement of the United States and China, for instance. Japan would obviously have no political place at that table. Down the road political recognition between North Korea and Japan will be very important to North Korea.

A process was begun in the early 1990's of negotiations between the two sides which resulted in sweeping agreements which still are virtual road maps to tension reduction and reunification.

On the military side, a long laundry list of steps were agreed upon, military commissions were formed and the North and South inaugurated military talks for the first time. There were also provisions for trade, communications, and the exchange of separated families.

All of those things remain problems between the two sides. I do believe we should stand firm in our resolve to see those negotiations resumed and also communicate in a clear way to Pyongyang, perhaps through a special envoy, not only our resolve but also make it clear to the North Koreans what benefits they stand to gain in terms of trade, in terms of aid and so forth once the military threat begins to ease.

I think as long as the United States continues to spend several billion dollars annually to support a military presence in the ROK and stations 37,000 Americans at great risk along the DMZ, we should pursue policies that more carefully protect our interests.

As Assistant Secretary Lord said, it is up to the two Koreas to get dialog going. Well, technically that is true. But I think it is up to the main powers including the United States, China and in a slightly different way, Japan, to make sure this process begins and to make sure that the North Koreans understand that we will have it no other way. I think we have not sent those signals clearly enough.

Mr. KIM. Mr. Gregg, you have my sincere respect on your knowledge about the Koreans. You have a rich experience. All of us are frustrated with what is going on. It just seems that it is not going anywhere. Another talk, another talk, nothing much to show. In the meantime, people get impatient, frustrated.

Let me ask you a blunt question. In your opinion, what should our policy be? What do you think we should do?

Mr. GREGG. Well, I think that the North Koreans have played a very poor hand of cards very well. I think our troubles began when at the death of Kim Il Sung the Administration put out a very warm statement of regret which South Korea could not possibly have supported. And so they put out something that was very different. There was a gap a mile wide between us on that issue. The North Koreans drove into that gap and they have been there ever since.

I think that we could do more with our allies as a convener. I think it is extremely important that we, the Chinese, the South Koreans and the Japanese are all singing from the same sheet of music. We are not a threat to anybody. I think we should encourage particularly the South Koreans and the Japanese to finesse their dispute over Tokto Island and begin to work more closely together in terms of what we ought to do with North Korea. I think the Chinese perspective is extraordinarily important on that and Ambassador Foreign Minister Gong is going to be speaking in New York next Monday following his visit with the Chinese where I know he will have been talking there.

In response to a question you asked Mr. Plunk before, I have seen a chart General Luck shows his visitors where he talks about a sort of "window of vulnerability" that we have because he knows that the North Korean military regime is degrading. It is not being

maintained well. The pilots are flying very few hours. There is shortage of POL and all that kind of thing.

And I think if the situation continues on, I have forgotten, Stanley, maybe you have seen it more recently than I have. But if the situation continues on for another year or two, the North Korean military capacity will have become degraded so that the nature of the threat will be qualitatively different.

So if you hold that to be true, and I have confidence in General Luck's view, there is some point in keeping the status quo until the military capacity deteriorates. But I think I would like to see us do more as a convener to perhaps call a conference with our three neighbors there to judge or to pool our assessments.

It is China that is vulnerable to the refugees, not us as long as the DMZ is there. We have a tremendous opportunity to learn a great deal about what is going on in North Korea from interviewing those refugees in China, from assessing their health, from having doctors examine them, from really having in-depth debriefings. I am not sure we are doing that. I think we ought to be doing that. Because I think we would have some more insights into North Korea about the various issues that Dr. Rashid has been talking about so eloquently.

Mr. KIM. Any other pressing business? I would like to go ahead and close the hearing. Thank you, very much, gentlemen. We appreciate it very much. That was very educational input. And on behalf of the committee, I would like to thank you again for coming today and participating. At this time I would like to close our hearing. The hearing is adjourned.

[Whereupon, at 4 p.m., the subcommittee was adjourned.]

APPENDIX

HONORABLE JAY KIM
41st District California
March 19, 1996

Opening Statement
"U.S.-North Korean Relations"
Subcommittee on Asian and Pacific Affairs

Mr. Chairman, in describing Stalinist Russia just before World War II, Winston Churchill likened it to a "riddle wrapped in a mystery inside an enigma." I think that description accurately fits our impression today of the last, remaining Stalinist regime in Asia, namely North Korea.

Given that our knowledge of the true situation inside North Korea is unclear at best, I have concerns about the Clinton administration's apparent policy of expanding engagement with Pyongyang. Making matters even more troubling is the fact that this growing appeasement of the North by Washington seems to be at the expense of our close, long-time ally South Korea. While the administration may claim such a policy will result in gains, I fear those gains are only short-term and temporary. They cannot offset the negative, long-term ramifications of pandering to the whims of the communist North.

For the record, I would like to submit a copy of the January 25, 1996 letter I sent to Secretary of State Warren Christopher about the administration's policy towards North Korea generally and the Department's decision to provide food aid specifically. This letter summarizes most of my concerns. Unfortunately, despite being sent two months ago, I have yet to receive a reply. I must say, Mr. Chairman, that I am very disappointed the State Department's lack of response. Perhaps the administration has no good answers for the questions I raised?

My most pressing concern is that the current administration policy seems to be that of accommodating North Korea's demand for direct engagement with the US and avoiding any involvement with South Korea. I believe we should be doing just the opposite: We should be taking advantage of every opportunity--whether it is KEDO or food aid--to make the North Koreans enter into a dialogue with the South.

I have provided Assistant Secretary Lord with a copy of my letter. I expect he will be addressing this and the other points I raised in his testimony. Therefore, I welcome Ambassador Lord and our panel of other expert witnesses this afternoon. I am particularly interested in the other panelists' critiques of the State Department's testimony.

TESTIMONY OF THE
ASSISTANT SECRETARY OF STATE
FOR EAST ASIAN AND PACIFIC AFFAIRS
AMBASSADOR WINSTON LORD

HOUSE COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON ASIA AND THE PACIFIC

MARCH 19, 1996

U.S. POLICY TOWARD THE KOREAN PENINSULA

Mr. Chairman, I appreciate your kind invitation to appear today. It is a pleasure to testify at this joint hearing on U.S. policy toward North Korea. North Korea poses major challenges to U.S. foreign policy, and the importance of Korean issues is well known to you, not least from your travels to South Korea at the end of last August. As you requested, I will focus on US-North Korean relations. But before I begin, I want to make clear that our approach to all Korean issues is founded on our rock solid relationship with the ROK, an ally of longstanding, a vibrant democracy, and a major trading partner.

U.S.-DPRK Agreed Framework -- A Major Achievement

Nearly a year-and-a-half after the U.S.-DPRK Agreed Framework was signed, the administration's policy of gradual engagement with North Korea is a major success. When the Clinton Administration first entered office in January 1993, it was immediately confronted with the problem of North Korea's nuclear program. Just eighteen months ago, North Korea, bent on development of a large nuclear weapons program, had one operational nuclear reactor and two larger reactors under construction, all of a type designed to maximize production of weapons grade plutonium. Left unchecked, this program would have been capable of producing enough plutonium for at least several nuclear weapons annually. Most immediately, North Korea was threatening to reprocess the spent fuel from its operational reactor to produce several weapons worth of plutonium, and then reload the reactor and produce additional plutonium. Such a nuclear stockpile in the hands of the North Korean regime would have been a grave threat to US Allies in the region and US interests around the world.

The Agreed Framework has frozen the North's nuclear program in its tracks. It has put us on a path to attain all our strategic objectives, supporting the international nonproliferation regime and enhancing security and stability in Northeast Asia. North Korea's operational reactor and its reprocessing facility are sealed, construction has stopped on the two new reactors, and very soon U.S. experts will begin, with North Korean cooperation, to place the plutonium-laden spent fuel in safe storage pending its eventual removal from North Korea. As you emphasized in your Resolution Relating to the Agreed Framework, Mr. Chairman, the eventual removal of this fuel from the DPRK is of major significance. The freeze is being effectively monitored by the International Atomic Energy Agency, which has recently agreed with North Korea on procedures for the resumption of ad hoc and routine inspections of nuclear facilities not subject to the freeze.

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The Agreed Framework will produce a full accounting of the history of the DPRK nuclear program before the DPRK receives key nuclear components for the light water reactors we are committed to provide. When fully implemented, the Framework will result in the dismantlement of North Korea's dangerous gas-graphite reactors and related facilities, including the DPRK's reprocessing plant. These steps go far beyond what the DPRK would have been required to do under the Nuclear Non-Proliferation Treaty (NPT), which allows member states to reprocess spent fuel under IAEA safeguards. Ensuring that the Agreed Framework is successfully implemented is, therefore, a major goal, one we are pursuing with full knowledge that we may face serious challenges in the future.

The Korean Peninsula Energy Development Organization (KEDO) was founded one year ago by the U.S., Japan and the ROK to implement portions of the Agreed Framework, including the light water reactor project and the provision to the DPRK of interim energy supplies in the form of heavy fuel oil. KEDO, under the leadership of Executive Director Stephen Bosworth, is moving ahead purposefully to accomplish these tasks. After Ambassador Bob Gallucci was appointed the President's Special Advisor on Bosnia, Ambassador Paul Cleveland was appointed to serve as the U.S. representative on the KEDO Executive Board. The appointment of such a senior diplomat is another sign of the importance the Administration places on smoothly implementing the Agreed Framework.

On December 15, 1995, KEDO and the DPRK concluded an agreement for the supply of proliferation-resistant light water nuclear reactors to North Korea. The supply agreement follows up on the joint statement negotiated with the North Koreans by my deputy Tom Hubbard last summer in Kuala Lumpur, which makes clear that North Korea will receive South Korean standard model reactors, and that South Korea will play a central role in all aspects of the LWR project. It was this December agreement that triggered the North Korean commitment under the terms of the Agreed Framework to allow the IAEA to resume inspections on declared nuclear sites not subject to the freeze.

KEDO is now preparing for negotiations with the Korean Electric Power company (KEPCO), the South Korean firm with which it plans to conclude the prime contract for the LWR project. In the meantime, KEDO has already conducted four site survey visits to the proposed site in North Korea where the reactors will be built. A fifth KEDO team will travel to the DPRK in the near future to complete the evaluation, leading to a formal designation by KEDO within the next few months of the construction site. South Korean nationals have been included in each of the KEDO delegations, marking a modest step forward in North-South contacts. Contrary to rumors that were circulating in Seoul at the time of your visit last fall, Mr. Chairman, South Korean members of the KEDO site survey teams have received the same treatment as the members from the U.S. and Japan.

KEDO will soon begin negotiations with the DPRK on a series of implementing protocols to supplement December's LWR supply agreement. KEDO is also supplying the DPRK with 500,000 tons per year of heavy fuel oil, as stipulated in the Agreed Framework. These shipments replace the electric power potential the DPRK lost by freezing its nuclear program, and will continue until the first LWR goes on line. The DPRK has accepted our proposed method for verifying that this heavy oil is not diverted for uses other than those stipulated in the Agreed Framework.

Financing our commitments under the Agreed Framework is an important priority and a major focus of our work. The Administration has requested a very modest sum considering the importance to US security interests of implementing the Agreed Framework. The President will soon convey to the Congress a 614 waiver and Congressional certification package, as required by law so that we may use the money appropriated by Congress for KEDO projects in FY 1996. I hope the Congress will conclude its review of this matter as quickly as possible so that KEDO will continue to be able to meet its commitment to provide heavy oil to the DPRK. Japan has recently agreed to provide \$19 million to help KEDO finance the purchase of heavy oil. Japan did this in anticipation that the US would soon be in a position to play its own, necessary role in financing this part of the project.

We are also working with our South Korean and Japanese allies to secure new members and new contributions for KEDO. KEDO is gaining increasing international support, with ten countries having joined or indicated their intention to join. Some twenty countries have contributed financially or plan to contribute. Most recently, the European Union has decided to make an initial contribution of \$6.3 million for KEDO, while France and Germany will also make national contributions of \$2 million and \$1 million respectively.

U.S. Policy

It may be helpful to recall briefly the evolution of US policy through three administrations over the last eight years. Our approach toward the DPRK began to evolve in 1988, when the Reagan Administration undertook the so-called "Modest Initiative" to open the window for limited contact. This initiative marked the first break in the comprehensive US economic embargo on North Korea by allowing trade in humanitarian goods. It also included official US support for non-governmental, cultural and academic contacts between Americans and North Koreans, including the issuance of visas for such contacts. The next step came in January 1992, during a period of hopeful dialogue between North and South Korea, when the Bush Administration agreed to host the first ever

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high-level meeting between US and DPRK officials. While useful, this did not lead to further high level official contacts, and the US-DPRK dialogue quickly slipped back to working-level exchanges between our embassies in Beijing. Then, in March 1993, the DPRK announced it would withdraw from the NPT. Following up the UNSC's call for member states to do whatever they could to help resolve the crisis, this Administration decided to engage the DPRK once again at the political level in a process that eventually resulted in conclusion of the Agreed Framework.

In addition to achieving a durable peace on the Korean peninsula, the U.S. seeks to facilitate progress by the Korean people toward achieving national reunification. We look forward to the day when all Koreans will enjoy peace, prosperity and freedom as well as constructive relations with their neighbors. Since conclusion of the Agreed Framework, the Administration has not rested on its laurels. Recognizing the importance of stability in Northeast Asia to U.S. interests, we are maintaining a strong deterrent posture and pursuing relations with North Korea in close consultation with our allies in South Korea and Japan.

In dealing with North Korea, the Administration is moving simultaneously on three tracks:

-- We are implementing the US-DPRK Agreed Framework, as I have already described;

-- We are seeking means of reducing tensions on the Korean Peninsula, most importantly through substantive North-South dialogue; and

-- We are increasing contacts with North Korea in order to promote security and stability in the region.

Reducing Tensions

While the Agreed Framework has been successful, we are well aware that North Korea continues to pose serious challenges for American foreign policy. The DPRK remains a closed society isolated from the outside world with massive, forward-deployed conventional military forces and dangerous missile, chemical and biological weapons programs. As you pointed out in the report on your visit to Seoul last fall, Mr. Chairman, the Korean peninsula is rightly considered perhaps the most serious risk for full-scale conflict involving U.S. troops. Consequently, a key objective of US policy must continue to be the preservation of security and peace on the Korean peninsula. The cornerstone of our efforts is our alliance with the Republic of Korea. Forged in the crucible of war, our alliance with the ROK has been nurtured by long established patterns of close consultation and cooperation, as demonstrated

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throughout our negotiation with the DPRK over the last three years. The 37,000 U.S. forces in Korea supporting this alliance are part of the overall 100,000 troops the U.S. maintains in the Asia-Pacific area. Our alliance is committed both to continued vigilance and to exploring ways to reduce tensions on the peninsula.

With the North Korean nuclear program in check, we must continue to address the conventional military threat, and the threat posed by the North's other weapons of mass destruction. North Korea fields an army of more than one million men, most of it deployed in the immediate vicinity of the DMZ. In spite of severe economic problems, the DPRK continues to devote a huge percentage of its national wealth to maintaining and modernizing this military machine. The North also deploys long-range missiles and chemical and biological arsenals that are a threat to the peninsula and beyond, as exemplified by the North's missile sales to the Middle East.

The Military Armistice Agreement of 1953 has helped to maintain the peace for more than 40 years now. Over the last few years, the DPRK has engaged in a systematic campaign to undermine the armistice. This threatens peace and stability on the Korean peninsula. As it pledged in the 1991 North-South Basic Agreement, the DPRK should abide by the terms of the Military Armistice Agreement until it is replaced by a permanent peace.

It is important that military communications channels be in place in Panmunjom so that we can ensure that the armistice is maintained. After close consultations in Seoul, the UN Command has proposed talks at Panmunjom between general officers representing the Commander of UN Forces in Korea and the North Korean People's Army. Under this proposal, the U.S., ROK and DPRK would all participate fully. We continue to urge the DPRK to consider this proposal positively.

For its part, the DPRK has repeatedly sought to open direct, bilateral talks with us to discuss issues related to peace and security on the Korean peninsula. Most recently, the DPRK last month proposed the U.S. and DPRK conclude an interim agreement to maintain peace on the peninsula until the U.S. and DPRK can conclude a peace treaty. This approach is absolutely unacceptable to the U.S., as are all North Korean attempts to deal with issues of peace and security on a bilateral basis. It is the firm position of the United States that it is up to Koreans -- both North and South -- to create a stable peace in Korea. The United States will support fully any joint efforts by the North and South to create a new peace mechanism, and is willing to play whatever role the Koreans wish us to play. But the U.S. will not engage the DPRK bilaterally, over the head of our South Korean allies. The ROK must fully participate in any military-to-military contacts.

All of this illustrates the fundamental importance of improved North-South relations. The North-South Basic Agreement of December 1991 stipulates that it is up to Koreans -- both North and South -- to create a stable peace on the Korean peninsula. In the Agreed Framework the DPRK made a commitment to engage in North-South dialogue. This commitment was so central that the U.S. would not have concluded the Framework without it. North-South dialogue is an essential aspect of the Agreed Framework and a prerequisite for its full implementation. We have repeatedly urged Pyongyang to meet its commitment and begin direct governmental dialogue with the ROK, and will continue to do so at every opportunity. As we have in the past, we also stand ready to support constructive new South Korean initiatives.

Expanding Contacts

Expanding contacts with North Korea is an important means of reducing tensions and building a broader basis for peace and security on the peninsula. In close concert with our South Korean allies, we seek to engage the DPRK bilaterally on a number of issues in order to accomplish one of the basic goals of the Agreed Framework: to build a North Korean stake in responsible behavior. Towards this end, we also continue to work closely with Japan, China, Russia and others.

We encourage the DPRK to continue down the road of greater openness to the outside world. We seek to demonstrate to Pyongyang the benefits of acting in accordance with international norms in areas such as missile proliferation and terrorism. We are ready to cooperate with the DPRK on humanitarian issues such as relief for North Korean victims of last year's flooding and the return of the remains of US soldiers.

The U.S. has provided three tranches of assistance totaling \$2,225,000 to international organizations to aid the victims of flooding in North Korea. The decision to provide this indirect assistance was made after responsible international organizations determined that a demonstrable humanitarian need exists in those parts of North Korea most severely affected by the flooding.

The first two tranches of assistance worth \$225,000 were provided to UNICEF for a vaccination program and a program to provide nutritional supports to young children and nursing mothers. The most recent US decision to provide \$2 million to the World Food Program for its efforts to assist flood victims in the North is a good example of our policy of maintaining close consultations and collaboration with our South Korean and Japanese allies. Before deciding to extend the \$2 million of humanitarian assistance, we conducted talks bilaterally with the ROK and trilaterally in Honolulu with the ROK and Japan.

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We explained that this aid would respond to a real humanitarian need, keep the World Food Program engaged in North Korea and demonstrate to North Korea the benefits of permitting international organizations to operate there. Consequently, the ROK announced that it had no objection to our provision of emergency disaster relief assistance through the World Food Program. Japan also expressed support.

We favor the opening of private channels of communication with the DPRK, and encourage cultural, academic and other people-to-people exchanges. We welcome indications from American firms of their interest in exploring discussions with North Korea, within the context of US law.

Under the terms of the Agreed Framework, we will open a liaison office in Pyongyang and the DPRK will open one in Washington when necessary consular and technical issues are resolved. This would be the first small step in a diplomatic relationship, and would provide us with regular, dependable channels of communication. Since the conclusion of the Agreed Framework, we have held several rounds of talks with North Korea on the opening of liaison offices, and succeeded in resolving most, but not all of the outstanding issues. Last fall we put forward a proposal to resolve the final outstanding issues and are still waiting for the North Korean reply. We stand ready to open liaison offices as soon as these issues can be resolved. We will be happy to brief your committee or staff on our plans as we move forward.

We are also willing to move over time toward more normal relations with North Korea, but only as North Korea addresses issues of concern to us, including North-South relations. Without an improvement in North-South relations it is clear that the development of US relations with North Korea will be inhibited. We are well aware of your concerns in this area, Mr. Chairman, as expressed in the House Resolution on the Agreed Framework.

During last summer's dedication of the Korean War Veterans' Memorial, President Clinton pledged that we would not forget the American soldiers who perished in North Korea during the Korean War and whose remains have not yet been recovered and returned to the U.S. In January, a U.S. delegation led by Deputy Assistant Secretary of Defense James Wold addressed this issue in talks with a North Korean delegation, and we hope to continue these negotiations in the near future. We continue to press North Korea for talks on the issue of missile proliferation, particularly North Korean missile sales to the volatile Middle East. And we have also addressed with the DPRK steps we would like to see taken so that we would be able to consider removing North Korea from the list of state sponsors of terrorism. The DPRK has taken a modest step forward, issuing an official statement denouncing terrorism. We welcome this statement and look forward to seeing concrete evidence

that North Korea is taking steps to support international action against terrorism.

We also believe it will be beneficial to all parties for the DPRK to expand its economic ties with the outside world so that its people can share in the East Asian economic miracle. We welcome the modest expansion of trade with South Korea, which has made Seoul Pyongyang's third largest trading partner. We took initial steps a year ago to ease US economic sanctions on the DPRK. These steps, while modest, have led to a small, but still significant increase in commercial contacts between the US and the DPRK. For example, direct telecommunications services have been established, US companies have signed contracts to import magnesite from the DPRK, and American NGO's have contributed humanitarian goods to the DPRK.

We are committed gradually to normalize economic as well as political relations with the DPRK as progress is made on the Agreed Framework and other issues of concern to the U.S. There have been recent steps forward -- particularly the signing of the LWR supply agreement and progress on spent fuel canning. The timing and extent of further sanctions reduction measures will in large part depend on DPRK willingness to engage constructively on the issues we care about, including missile proliferation, the return of war remains, the reduction of tensions and, most importantly, North-South dialogue. We will, of course, consult fully with the Congress as our policy on sanctions evolves.

Conclusion

In conclusion, I want to stress that on all issues concerning the Korean peninsula, the US will continue to coordinate closely with the ROK as well as Japan. Our pattern of consultations is intense and constant. President Clinton has visited Seoul. President Kim has made two visits to Washington. National Security Advisor Lake was in Seoul last month. Deputy Secretary Talbott met with his counterpart in December. Secretary Christopher, ROK Foreign Minister Gong and former Japanese Foreign Minister Kono decided last November to institute a series of high-level trilateral consultations to coordinate policy toward North Korea. I chaired the first such meeting in January, and look forward to further meetings.

The Agreed Framework has been a great success in dealing with the North Korean nuclear threat. It serves regional stability and global non-proliferation efforts. We will continue to do everything necessary to ensure the Framework's smoothest possible implementation. The key achievement of the Framework is that it freezes and, when fully implemented, will lead to the total dismantlement of the North Korean nuclear program. But the Framework encompasses more than just the nuclear issue. We are using it to promote a broader approach

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toward our long term goals: a durable peace on the Korean peninsula and the eventual reunification that the Korean people seek. These are issues on which Koreans will play the leading role. As a friend and ally, the United States stands ready to help.

Prepared Statement by Stanley O. Roth
Director of Research and Studies
U.S. Institute of Peace

before the Subcommittee on Asia and the Pacific
House International Relations Community
March 17, 1996

After serving on the staff of this Subcommittee for more than ten years, it is a somewhat unusual sensation to find myself for the first time seated behind the witness table rather than behind the Chairman. At this stage in the proceedings I can certainly say that it is a pleasure to be here. I commend the Subcommittee for convening this hearing on the important topic of North Korea.

At the outset, I would like to make clear that I am appearing today in my individual capacity and not as an official of the U.S. Institute of Peace. The views expressed are my own.

I think that the best place to begin a hearing about North Korea is to acknowledge what we don't know. First, almost two years after the death of Kim IL Sung we don't know who is in charge in North Korea. While no visible opposition to Kim Jong IL appears to exist, the exceptionally long delay in his formal succession to power makes it increasingly more plausible to suspect that a power struggle of some sorts is taking place. This is not to suggest that Kim Jong IL may not ultimately assume the formal trappings of leadership; indeed, a spate of public appearances recently has created the expectation that this long-awaited event will take place this summer. Maybe yes, maybe no; perhaps the most prudent course is to avoid predictions, since so many previous "deadlines" have proven to be inaccurate. In any case, even after the formal succession process has taken place, the key question will remain: Is Kim Jong IL "ruling" or "reigning"?

Second, we don't know the staying power of the current regime. While experts argue passionately about whether North Korea is heading towards

collapse, either of the government or of the country itself, the truth of the matter is that we have no analytical basis for making an informed judgment. While we know that government and party leaders are determined to avoid the fate of the former Soviet Union and East Germany, what we don't know is whether they have the capacity to do so. Specifically, we don't know how loyal either the troops or the senior officers are to Kim Jong Il nor do we know how effectively the military would respond if the current economic hardship led to sustained food riots or other widespread manifestations of unrest.

Third, there are important gaps in our knowledge about the current food situation in North Korea, despite the important work which the World Food Programme and a handful of NGOs are now doing in the North. Most importantly, we don't know if the current shortfalls, which to date have not resulted in widespread starvation, will ultimately lead to a situation later this year of widespread famine. One of the key variables--and one which has been of particular interest to the Congress--are military stockpiles of food. While it appears reasonable to assume that the North Korean military has significant stocks of food, we don't know either the magnitude of the stocks or the extent to which these stocks have already been drawn down. Although Trevor Page, the World Food Programme's representative in Pyongyang, has concluded that at least some military foodstocks have been drawn down, it is impossible to know the totality of North Korea's military stockpiles of food.

Fourth, there are important uncertainties about the North's military capabilities. While on paper the North has impressive quantities of military

hardware and the troops to use it, with much of its forces concentrated near the Demilitarized Zone in a destabilizing fashion, we don't really know how effective these forces would be in a conflict. To what extent have food shortages spilled over into the military? To what extent have cutbacks in training impaired readiness? What percentage of the North's armored equipment and aircraft are operational? Does the North have the logistical capacity to sustain an offensive or would it quickly run out of fuel or spare parts? These questions are not intended to suggest that the North no longer poses a serious military threat against the Republic of Korea. But I do think it's important not to make the North Korean military appear ten feet tall, as we did with Iraq's military forces prior to the Gulf War.

Formulating U.S. policy towards North Korea in the face of all of these uncertainties is a formidable challenge. It is difficult enough to calibrate policy to try to influence the behavior of decision-makers in a "normal" country; it is an order of magnitude more difficult when we don't even know who the key decision-makers are or what the decision-making process is.

To my mind, this suggests that we need to focus on key national interests as we formulate the elements of our North Korea policy. First and foremost among these interests is the preservation of peace and stability on the Korean Peninsula. Both we and our allies in the Republic of Korea have agreed that a so-called "soft landing" (a gradual process of peaceful reunification over an extended period of time) is preferable to a "hard landing" (trying to make the North's regime collapse as soon as possible).

The logic of this policy may, at first, appear counter-intuitive. Why not try to "bring down" the North's regime, which is clearly one of the most despotic and dangerous regimes now extant anywhere? The answer is twofold. First, there is no assurance that if we succeed in promoting the collapse of North Korea that the collapse will be as peaceful as the collapse of the former East Germany. I believe there is a serious risk that if the North's economic plight gets sufficiently dire, including widespread starvation, the regime could miscalculate and decide to risk everything in an attack on the South. The goal would not have to be absolute victory; the North might delude itself into believing that it could easily seize a significant piece of territory and then sue for peace on favorable terms, including economic assistance.

It is not far-fetched to suggest that a country as isolated as North Korea could easily miscalculate and persuade itself that such a scenario could succeed. Consider current circumstances. One could envision the North concluding that the South had been gravely weakened by political scandal and the United States was preoccupied by Bosnia and the upcoming election. If famine hits later this summer, as some experts have predicted, the North may find itself with no good options. The danger is that deterrence will fail, for the reasons described above, and that the North will resort to force. While hardly a likely scenario, it is a plausible and dangerous one, and one which both we and the Republic of Korea should seek to avoid.

Second, the economic consequences of even a peaceful soft landing would be devastating for the South's economy. Current estimates of the cost of raising the North's economy to the level of the South range from several hundred billion dollars to more than \$1 trillion. In a sense the numbers are irrelevant,

for even at the lower levels they exceed the Republic of Korea's resources. All the more worrisome is the possibility that history might repeat itself: just as West German officials were unable to resist the public demands for reunification as East Germany's collapse proceeded, despite an acute awareness of the economic costs, so South Korean officials might not be able to resist public demands for reunification under similar circumstances. The implications for Korea are even greater than for Germany, considering that the South's economy is considerably less advanced than was West Germany's at the time and the North's economy is considerably more impoverished than was East Germany's. Thus, it would be even harder for the South to bear the expenses of immediate reunification.

Even if one accepts the rationale for a soft landing, there is still considerable room for doubt as to whether it can be achieved. Unfortunately, there seems to be virtually no prospect that the best-case scenario will be realized. Such a scenario would include genuine economic reform, a resumption of North-South dialogue and resolution of some of the outstanding bilateral issues between the North and the United States (renunciation of terrorism, progress on POW-MIA issues, restraint on missile sales). To date, the North seems little interested either in serious economic reform or in the resumption of North-South dialogue, and its willingness to make progress on bilateral issues with us is disappointingly slow.

This is not to suggest that we should just give up on the prospect of achieving a soft landing. There have been some hints from the North that it is willing to address some of the bilateral issues of importance to us, and we should pursue these vigorously through appropriate diplomatic channels. While

there is less cause for optimism with respect to North-South dialogue, I believe it would still be worthwhile for the Republic of Korea to formulate some type of peace initiative following its April elections. While most such initiatives in the past have not succeeded, it should not be forgotten that an agreement had been reached for a summit meeting at the Presidential level prior to Kim IL Sung's death. The South has little to lose by launching a peace initiative this spring; at the very least it provides a counterpoint to the North's unceasing efforts to negotiate a peace treaty directly with the United States.

Finally, if a hard landing is not in our national interest and if a soft landing appears not to be achievable, both we and the Republic of Korea may have no choice but to embrace a more frustrating option: a "softer hard landing". This option is based on the premise that in the absence of fundamental reform there is a high probability of collapse in the North. The mutual interest of the United States and the Republic of Korea under this scenario is to put off this collapse for as long as possible, by trying to help keep the North Korean economy minimally afloat. For example, it may become desirable to provide significant quantities of food aid to the North if famine appears imminent, not only for humanitarian reasons but for national security reasons as well. Even in the absence of progress on such issues as North-South dialogue, the United States and its allies, the Republic of Korea and Japan, may well conclude that it is preferable to provide significant food aid than it is to confront a starving North Korea that is prepared to risk war.

To be clear, this option does not envision massive infusions of capital along the lines of a "mini-Marshall" plan to bail out the North Korean economy.

North Korea doesn't deserve such assistance, our publics wouldn't support it, and the assistance couldn't be effective anyway in the absence of significant reforms. But far short of a Marshall Plan, the United States, the Republic of Korea and Japan may find themselves in a situation where they decide, after careful consultation, to provide sufficient resources to the North, whether through trade, aid or investment, to prevent a total collapse.

"U.S.-NORTH KOREAN RELATIONS"

TESTIMONY OF

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COMMITTEE ON INTERNATIONAL RELATIONS
SUBCOMMITTEE ON ASIA AND THE PACIFIC

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ASSESSMENT OF CURRENT U.S. POLICY

U.S. Admiral C. Turner Joy spent many months negotiating the armistice that ended Korean War hostilities in 1953. He wrote of the lessons he learned in his book entitled *How Communists Negotiate*. Joy warned that the North's strategy is to turn inches into miles and that it regards any concessions by its opponents as signs of weakness. Negotiations with Pyongyang should be kept brief because success in engineering a protracted process leads the North Koreans to believe that they have achieved the upper hand.

The Clinton Administration negotiated with Pyongyang for 17 months before inking the "Agreed Framework" in Geneva. The Framework is seriously flawed in part because the Administration allowed the North to maneuver the U.S. into a process much like the one against which Admiral Joy warned. The deal does indeed turn inches into miles. Its protracted and convoluted road map would, even under the best of circumstances, take a decade or more to traverse. Furthermore, the achievements of the Framework are overshadowed by the problems that remain and the new ones that have been created.

The North signed the Nuclear Non-Proliferation Treaty (NPT) in 1985, but subsequently refused to allow for mandatory inspections by the International Atomic Energy Agency (IAEA). During the Reagan and Bush Administrations, U.S. policy maintained that the North's full compliance with its NPT obligations was a prerequisite to improved relations with the United States. The Clinton Administration initially seemed to support this principled stance toward the North and the nuclear controversy. On October

21, 1994, however, the U.S. signed a deal that abandoned this position and allowed Pyongyang to avoid its treaty obligations for years to come.

The Administration should not have backed down from America's insistence on nuclear transparency as a precondition. In return for Pyongyang's full compliance, the North could have been offered improved relations and a generous trade and aid package by the U.S., the ROK, Japan and other concerned parties in the international community. What the North urgently needs is considerable economic revitalization and reform. Instead, we've set in motion a plan to provide electric power to North Korea 10 or 15 years from now. What is urgently needed on the Korean Peninsula is, first, an unambiguous end to the North's nuclear threat and, second, meaningful steps toward tension reduction. Instead, we have a deal that, in nearly a year and a half of operation, has achieved neither of these goals.

Still, current Clinton Administration Korea policy primarily is driven by the Framework. Our government's Asia specialists spend their days raising money for the North's heavy oil needs, engaging in tedious reactor construction contract negotiations and monitoring the "frozen" North Korean nuclear facilities and spent reactor fuel rods. Meanwhile, tensions between the North and South are as high as ever. And, with 37,000 U.S. troops stationed in the ROK, nowhere in the world are so many American's in harm's way.

The Framework has not lessened the serious dangers posed by Pyongyang's well-armed, million-man military. In Congressional testimony just last Friday, General Gary Luck, commander of U.S. forces in Korea,

said that the North's large stockpiles of chemical and biological weapons "cause my greatest concern." He warned that Seoul could be attacked "without [the North Koreans] moving a single piece of their vast forward arsenal." The North's missiles "threaten all our major ports, air bases, fielded ROK-U.S. forces and the population at large," he testified, and added that the North continues to upgrade its missile capabilities.

Furthermore, throughout last year, the North systematically undermined the Military Armistice Commission (MAC) that for four decades has been charged with keeping peace along the DMZ. Pyongyang's strategy is transparent -- withdraw from the MAC and the U.S. will be forced to deal bilaterally with Pyongyang, thus cutting the South out of the picture. General Luck addressed this issue, too, and said that disabling the MAC has increased the likelihood of hostilities along the border. Yet, the Clinton Administration has remained largely silent on this issue.

Meanwhile, the North does not hesitate to carry out acts of open hostility. Last October, four days before the one-year anniversary of the Framework's signing, ROK authorities discovered two North Korean commandos deep in the South's territory. In the ensuing fire fight, one commando was killed, the other captured, and several South Koreans were wounded.

Under Section Three of the Framework, the North pledged to strive for "peace and security" on the Peninsula and "engage in North-South dialogue, as this Agreed Framework will help create an atmosphere that promotes such dialogue." However, a state of war still exists in Korea and

Pyongyang pointedly has refused to consider substantive dialogue with the South.

As a result of these flaws and inadequacies in the Framework process, the U.S.-ROK alliance has suffered. In a November 1994 Heritage Foundation report on the Geneva deal, I wrote:

"There is growing popular sentiment in South Korea that the North has outmaneuvered Washington, secured the delays it sought and marginalized Seoul's input into the deal-making process. This could cause needless frictions in an alliance that has been very close and productive for many years."

This has turned out to be the case. In both the South Korean private and public sectors, confidence in America's judgment regarding our mutual security relationship is at a very low ebb. Despite Seoul's expressions of support for the Framework, it is no secret that most South Koreans have little faith in this process. Pyongyang senses this schism between Washington and Seoul and thus is encouraged to maintain its hostile posture.

The Clinton Administration does admit that one weakness of the Framework process to date has been the lack of progress toward tension reduction. Still, it emphasizes that a key objective has been accomplished: the threatening nuclear program remains "frozen." In the broader scheme of Korea policy challenges, I believe the significance of the "freeze" is exaggerated. After all, every single component of the North's nuclear capability will remain in its possession for some years to come. Fuel reprocessing could be resumed at any time. Pyongyang has been given a long-term license to violate the NPT, and special inspections likewise will be

deferred for years. In fact, North Korean officials have contradicted the Administration on a number of occasions by stating flatly that its two suspect fuel storage sites will never be open to international inspection.

In the meantime, the North may be secretly constructing nuclear weapons with the enriched fuel it currently possesses. Last year, Defense Secretary William Perry admitted in congressional testimony that the U.S. would have no way of detecting such a covert program.

So, the Agreed Framework has not solved any key security concerns of the United States. Why, then, does the Clinton Administration place so much confidence in this process? The answer to this question is disturbing. Privately, Administration officials concede many of the shortcomings I've outlined. In my judgment, the consensus opinion within the Administration is that the Framework's primary function is to hold the North's nuclear program in check and offer the Pyongyang regime minimal financial assistance until a time in the not-too-distant future when it will collapse. Then, the threat to peace will cease and the Framework will have fulfilled a worthy purpose. Construction of the \$5 billion light water reactor project likely will never be completed, but it serves to divert the Pyongyang regime's attention as it plummets toward extinction.

This is an interesting theory, but one upon which I believe our government should not base national security policy. First, I would not underestimate the ability of the Pyongyang government to preserve in the face of extreme internal difficulties. More importantly, a North Korea sliding toward collapse could pose increasingly severe threats to U.S. and

ROK interests. First, the regime might not go quietly into the night. It doesn't need large food, oil or financial reserves to begin lobbing chemical, biological or nuclear weapons at the South. On the other hand, even if the regime were to collapse without using its military options, the costs to South Korea of suddenly absorbing its poor northern brethren would cause extreme economic distress for the ROK, one of America's most important trading allies.

Some Clinton Administration officials say that the Framework's built-in "soft landing" plan for the North is the answer. This is wishful thinking. Much more should be done to ease tensions on the Korean Peninsula and more fully prepare for the inevitable absorption of the North by the South.

POLICY RECOMMENDATIONS

The U.S.-North Korea accord explicitly links tension reduction progress with the political and economic benefits offered to the North. So far, the Administration has not sought to formalize this linkage. It is time to do so. To accomplish this, Washington should take the following steps:

- **In close consultation with Seoul, press Pyongyang for immediate initiation of substantive, high-level talks with the South.** In 1992, Seoul and Pyongyang signed historic, detailed agreements that appeared to set the stage for progress toward political reconciliation and military tension reduction. The two sides later deadlocked in implementing the pacts as the nuclear crisis worsened. These documents can serve as a blueprint for future dialogue.

Currently, the North insists upon unacceptable preconditions for resuming contact with Seoul, including a demand that President Kim Young Sam apologize for not expressing condolences in the wake of President Kim Il Sung's 1994 death. The U.S. should show no tolerance for such propaganda.

In concert, Seoul and Washington should formally propose a dialogue structure aimed at addressing military issues. Given the high level of distrust between the North and South, the so-called "two plus two" formula could be pursued. That is, the two Koreas along with the U.S. and China could initiate this process. Washington and Beijing, acting as referees and facilitators, could help guide the talks toward a North-South peace agreement followed by military tension reduction measures and, eventually, actual troop and weapons reductions. At an appropriate point in the dialogue, Seoul and Pyongyang could begin separate talks on political, social and economic cooperation.

Aggressively pursued, this sort of process can bring about changes in Korea that serve the national interests of the U.S. It is also the avenue through which the North can seek to ease its international isolation, slow the deterioration of its economy by reducing its massive military spending and expanding trade relations with the international community and eventually taking steps to reform its political and economic systems. Only progress in this direction will avert a sudden and dangerous North Korean collapse and set the stage for gradual change there and the "soft landing" we all hope to see.

- **Designate a respected and experienced American as a special envoy to jump start the dialogue process.** If the Bosnian crisis warranted aggressive shuttle diplomacy, the Korean conundrum more than qualifies. A special envoy should seek regular contacts at the highest levels in Pyongyang to press for resumption of dialogue. He should make clear to the North that the U.S. will no longer tolerate delays and that the fate of the Framework process hinges upon North Korean cooperation. If this message is not hammered home to Pyongyang forcefully and regularly, the North will continue to doubt America's resolve and misjudge its intentions. The envoy should coordinate closely with Seoul and also meet with Chinese, Japanese and other concerned parties to enlist their support and engagement. The envoy could also improve our understanding of the murky leadership and decision-making situation in Pyongyang.

The cold war is over. Pyongyang no longer has China and the Soviet Union standing in the wings prepared to back its military aggression. North Korea is a dying system which must change its ways in order to survive. Still, Pyongyang continues to resist the tide of history and in doing so perpetuates a state of war in Korea that threatens peace in Northeast Asia as well as the lives of many Americans. It is time for the Clinton Administration to take aggressive steps to diffuse the Korean confrontation.

Current Food and Agriculture Situation
in the Democratic People's Republic of Korea^{1/}

Testimony of the Food and Agriculture Organization of the United Nations (FAO)
by Mr. Abdur Rashid, Chief, Global Information and Early Warning System,
before the Sub-Committee on Asia and the Pacific of the
US Congressional House Committee on International Relations,
19 March 1996

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- IV. Medium and longer term measures

1/ Based on the findings of an FAO/WFP Crop and Food Supply Assessment Mission to the Democratic People's Republic of Korea, undertaken in December 1995.



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

I. OVERVIEW OF THE ECONOMY

1. In 1948, Korea DPR inherited part of the Korean Peninsula which was better endowed with mineral resources, which subsequently facilitated rapid industrialization. The country's development in the 1950s and 1960s was remarkable for its high degree and fast rate of industrialization and for the intensive and scientific development of agriculture. Economic development was, however, heavily dependent on investment assistance and special trade agreements with the "eastern bloc".
2. The country's difficulty in adapting to the changing structure of the world's economy in the early 1990s has however been a major obstacle to growth. The disintegration of the USSR and much of its traditional barter trade in 1990 and the rapid pace of economic liberalisation in China and much of the "eastern bloc" ended privileged economic ties with these countries. Furthermore, the changing economic and political focus of its former trading partners means that it is very unlikely that the country will receive significant amounts of development assistance from them.
3. Economic policy has followed a goal of self-reliance, emphasizing the development of a relatively autonomous national economy. This has tended to reinforce the country's economic isolation, which has meant that modernization of productive sectors has failed to keep pace with that of main competitors in South East Asia. After the rapid industrialization of the 1950s and 1960s, Korea DPR has failed to benefit from the region's economic boom, and its products remain uncompetitive.
4. Until the late 1980s the value of trade increased steadily, predominantly with the former USSR, and to a lesser extent with China and other eastern bloc countries. The system of trade was principally through bilateral trade agreements which were negotiated annually and involved bartering products. The main barter/export commodities were steel, steel products, cement, non ferrous metals, clinker for furnace bricks, with minor exports of marine products and fruit. The country's main imports were food grains (rice and maize), petroleum and fertilisers, principally potassium. The domestic production of urea, the main nitrogenous fertiliser for a high input agriculture, was also heavily dependent on petroleum, the importation of which now is substantially lower than in 1989.
5. In the period 1990 to the end of 1991, however, the system of barter and preferential credit declined precipitously and finally in 1992, this framework of trade ceased to exist altogether. It is officially estimated that, whilst in 1990 the volume of trade with the former USSR, China and other eastern bloc countries represented around three quarters of the total volume, today it represents only about one fifth. Needless to say, the country has had to look increasingly elsewhere for both its export markets and for

imports. Although the need to import larger quantities of food and fertiliser (petroleum for urea) has not declined, and indeed has increased in the last two years, its exports have remained largely uncompetitive and declined markedly, which has widened the trade deficit even further. It is estimated that even during the time of trade expansion in the 1980s, the country ran a significant trade deficit, for a number of years. The country is now carrying a large external debt and past problems of repayment mean that it has limited access to international credit facilities.

6. Although the exact foreign exchange and balance of payments position could not be ascertained, the significant fall in imports of petroleum, food and agro-chemicals suggests that the present level of foreign exchange reserves is extremely low.

II. AGRICULTURE SECTOR: PAST TRENDS AND CURRENT SITUATION

7. Cultivated Area: Only some 20 percent of the land area of Korea DPR can be cultivated. The rest is predominantly mountainous, offering extremely limited scope for agricultural expansion. Total arable land amounts to some 2 million hectares, though only some 1.43 million hectares is suitable for cereal and other food grain production, of which approximately 80 percent is irrigated. Of the rest approximately 300 000 hectares is under fruit cultivation, principally apples, and the remaining 270 000 hectares, predominantly under mulberry trees for sericulture.
8. There are two options available for area expansion open to the Government, which have been pursued, albeit to a limited extent. The first is the reclamation of tidal areas, which would add a total of 300 000 hectares, if completed, for paddy production and the second is mountain terracing, suitable for maize production, for which the target is 200 000 hectares. Although bringing these lands into cultivation is regarded as a priority, the investment costs involved are high, and little progress has been made. These options, therefore, should be viewed as "long term".
9. Farm Management: The system of agriculture is based on state and collective farms, of which there are presently 1 000 and 3 000 respectively. The average size of collective farms is 500 hectares, although the largest (10 000 hectares) covers an entire county. Some state farms may produce food crops, but they usually specialise in the production of livestock, poultry, silk worm eggs, seed, seedlings and fruit. All workers in state farms are salaried and are entitled to subsidised food rations through the Public Distribution System (PDS).
10. The PDS is not accessible to collective farm workers, who receive their annual requirement of food grain at harvest. In addition these farmers are entitled to a share in the proceeds of any surplus over and above

the collective quota sold to the state. The individual worker's share is based on the number of work points accumulated. Points are calculated according to the number of hours worked, the work load and the technical qualifications of the worker. The quota for the collective is set on the basis of land area and average anticipated yields. The collectives presently sell rice to the state, at 82 chon/kg (40 US cents), which has recently been increased by 11 percent, and maize at 58 chon/kg (29 US cents).

11. Crop Yields: The limited potential for expanding domestic food production through area expansion coupled with the drive for self sufficiency, have, hitherto, meant that the Government has laid heavy stress on intensification of agriculture. The main features of the intensification strategy have been: 1) irrigation - the construction of some 1 700 artificial reservoirs and 40 000 km of canals; 2) mechanisation - there are, on average 5-6 tractors per 100 hectares although there has been a significant decrease in mechanisation and an acknowledged reversion back to the use of draft animals as a result of a decline in petroleum imports; 3) intensive use of agro-chemicals and electrification. In addition the system of crop husbandry aims to be extremely labour-intensive and relies heavily on the philosophy of individual plant care, from seed to harvest.
12. Seed is centrally distributed to collective farms through the Agricultural Science Academy via a network of 22 parent seed stations, 186 seed farms and 187 seed supply stations at the provincial level. Approximately 2 percent of the paddy area and 5 percent of the maize area is reserved for seed multiplication.
13. The recommended seed rate for paddy is 120 kg/ha, although 150 kg is provided to allow for spoilage, whereas for maize the corresponding rates are 40 kg/ha and 50 kg respectively. The geographical distribution of seed types appears to be determined by altitude and the length of growing period in relation to the number of frost-free days.
14. Very short fallow periods, high plant densities and limited crop rotations have inevitably led to declining soil fertility. Climatic conditions, which do not permit more than one crop per year, limit the possibility of intra-annual rotation. To achieve the objective of maximizing output, therefore, inorganic fertilizer application rates are very high. Officially, the aim is to provide the technically optimum dose of fertiliser, although it is clear that the objective has not been met for several years, if ever.
15. On average, the optimum application ratio for N, P, K is 100:100:50, using urea, super-phosphate and potassium chloride fertilisers. In 1989, a peak year, it is reported that the average quantity of fertiliser applied to cereal crops was approximately one ton per hectare. This dropped to 750 kg/ha in 1994 and to 500 kg/ha in 1995. The figure for 1995 appears to be more or less consistent with the domestic

availability of urea and phosphoric fertilisers for cereal crops. Although potassium fertilisers were previously imported, presently the only source is reportedly as a by-product of the domestic cement industry.

16. There has been a precipitous fall in the domestic production of urea, a major input in agriculture, due to a decline in the import of petroleum. In 1995, as a result of import constraints, it is estimated that the country was able to produce only 30 percent and 24 percent, of its installed capacity of urea and phosphates respectively. Shortages of foreign exchange have limited the Government's ability to import potassium fertilisers and micro nutrients. On account of the limited number of frost free days (estimated between 165-180 days), it is necessary to import plastic sheeting, to protect seedlings from frost in the early stages of development, which adds a considerable amount to the cost of production.
17. A stagnant economy, low foreign exchange reserves, a large and persistent trade deficit, and a low level of international credit worthiness, together mean that the country has serious problems in maintaining a heavily import-dependent and input-intensive food production system.
18. Production Trends and the Impact of the 1995 Floods: More than half of the country's normal annual precipitation occurred between 30 July and 18 August 1995, resulting in extremely severe flooding. During this short period, an average of 300 mm of rain across the country, coupled with high tidal waves, caused flooding, which seriously affected agricultural production. In some areas, notably Pyongson County and North Hwanghae, as much as 488 mm rainfall occurred in a 24 hour period over 17-18 August. As a result, severe damage occurred to standing and stored crops, river embankments, the irrigation and the communications network and property. In addition to direct damage, large areas of agricultural land were submerged under sand and gravel sediments and other debris. In some paddy areas, the level of sediment deposit is estimated to be as much as 50 cm deep.
19. In addition to material losses, seventy people lost their lives. Many people were also injured in the flooding and the health situation deteriorated. The prevalence of diarrhoea increased dramatically as a result of contaminated drinking water and poor sanitation. The Government estimated that around 5.2 million people living in 145 cities and communities of 8 provinces were affected. A UN/Inter-Agency Mission (including FAO) visited the country in September 1995 to assess the flood damage.
20. In the absence of detailed time series and disaggregated information, it is difficult to verify accurately the extent of the flood damage nation-wide. It is clear, however, that the food problem goes far beyond the immediate consequences of the floods and the drop in production in 1995 reflects underlying trends in productivity compounded by flood damage.

21. In 1989, considered an optimal year, cereal production was officially estimated at 8.1 million tons, though by 1993 this had fallen to 6.64 million tons, a year before adverse weather affected crop production in 1994 and 1995. Therefore, during this 4 year period productivity and overall production declined by some 18 percent and this can reasonably be attributed to structural problems in agriculture. In both 1994 and 1995, the underlying decline in agricultural production was compounded by hail storms and floods respectively. Therefore, as Government figures of flood damage in 1995 probably incorporate an element of structural decline, it was necessary to assess the level of production under a "with" and "without" flood scenario, in order to have a more reasonable understanding of the level of damage.
22. The average annual rate of decline in production between 1989 and 1993, taken to be structurally induced, was approximately 3 percent for paddy and 6 percent for maize. Production in agriculture is assumed to be falling at an increasing rate as input supply constraints become more pressing. Using 1993 as the base year (1994 was also weather-affected and cannot be used), and assuming an increasing rate of structural decline in agriculture, in the two year period between 1993 and 1995, the production of paddy was assumed to have decreased by 10 percent and maize 15 percent. Under these assumptions, the production of paddy and maize in 1995, without floods would have been some 3.1 million tons and 2.7 million tons respectively. The area of paddy under cultivation was taken to be 650 000 hectares, (including reclaimed tidal areas) and maize 700 000 hectares, including hill terraced areas.
23. The official figures of flood damage to maize and paddy were adjusted by the FAO mission members on the basis of discussions, field visits and an analysis of the areas (river deltas) which were hardest hit.
24. The final estimate of production in 1995, therefore, is based on the likely level of production had the floods not occurred, less estimated crop losses due to flood.
25. In summary, although the floods in 1995 caused substantial damage to agriculture, which significantly reduced the amount of domestic food supply, the problems of the sector appear to be far more deep-rooted and need to be addressed in a longer term perspective than solely through short term measures and emergency food assistance.

III. FOOD SUPPLY SITUATION AND SHORT-TERM OUTLOOK

26. Population: Population is the base parameter for assessing food needs of a country. Information provided by the Government indicates that the total population of Korea DPR on 31 December 1993 was 21.2 million of which 10.3 million (48.7 percent) were male and 10.9 million (51.3 percent) female. Of a total of 4.5 million households, 61 percent were in urban areas and 39 percent in rural areas.
27. The average size of a household, country wide, was 4.4 persons, with a distribution of 4.38 in urban areas and 4.53 in rural areas. The urban population has steadily increased; whilst it represented some 41 percent in 1960, by 1970 it had grown to 54 percent and by 1980, 57 percent. The relatively low proportion of the population in agriculture, can partly be attributed to the restricted scope of the sector to absorb people. The labour force in industry, at the time of the census, was 3.8 million persons and in agriculture 3.2 million persons, which represents 18 percent and 15 percent of total population respectively. Only some 33 percent of the population are, therefore, actively employed in the production process, suggesting a relatively high dependency ratio.
28. The State Planning Commission estimates the annual growth rate of the population to be 2 percent. Therefore, the corresponding population estimate for 1995 is about 22 million.
29. Consumption Norms: In Korea DPR, trading is entirely under state control and prices are fixed by the Price Fixation Committee, which is directly under the People's Central Committee. Prices of goods and services for domestic consumption do not reflect supply and demand but are fixed in relation to salary and wage levels. Rice and maize are sold through the Public Distribution System at a heavily subsidised rate of 8 chon/kg and 6 chon/kg respectively, amounting to some 10 percent of the official farm-gate price. Because of food shortages, peasant markets have been gaining importance and have been allowed, for some years, to operate legally on the 1st, 11th, 21st and 31st of each month. In addition, there is mounting evidence that petty trading is being tolerated as the only mechanism to increase individual income to pay for basic necessities that the State is unable to provide through the Public Distribution System (PDS).
30. The PDS is the vehicle under which the Government supplies basic necessities to the population. As these items are sold at highly subsidized and standardized prices throughout the country, the Government is able to maintain salaries and wages at fixed levels. Legally, the population, except those on collective farms, has no access to basic staples other than through the PDS. The prevailing ration rates, therefore, are indicative of consumption levels. However, a distinction must be made between the State farm, collective farm and the non-farming population. State farm and non-farm workers receive rations through

the PDS, while workers in collective farms receive a share of the final output and a performance related bonus.

31. Norms have been defined for basic consumption needs in grams per day, with cereals expected to provide 75 percent of daily calorie intake. These norms were established for various population groups, initially determined by: 1) professional activity; 2) the level of work load or place of work and 3) age group. Based on these criteria, the original ration system had nine levels, the highest providing 900 grams of cereals per day (for coal miners, workers in heavy industry and the like) and the lowest providing 100 grams (for children in kindergarten). However, it is clear that the Government has not been able to provide the quantity of cereals under the *de jure* ration rate for some time and, consequently, the rates have now been revised. The Government now aims to operate a 3-level system with the age being the determining factor. The current daily entitlement of grain by age group is 500 grams, 700 grams and 600 grams for age groups "up to 15 years", "16-64 years" and "65 and over" respectively.
32. Under normal circumstances 70 percent of the cereal ration would be provided in rice and 30 percent in maize and the ration would be distributed twice a month. Cereals are anticipated to provide 75 percent of the total calorie intake, with fish, meat, vegetables, fruit, fats and oil and other foods expected to make up the remaining 25 percent. Although the PDS has a theoretical mandate to provide non-cereal food items, chronic shortages mean that they are seldom supplied.
33. Taking into account the grain ration for each age group, and given that this is to provide 75 percent of total intake, the Government targets for daily calorie intake by age group would be: 2 330 calories for the age group up to 15 years, 3 260 calories for 16-64 years and 2 800 calories for 65 years and over.
34. The Government now recognizes that these targets cannot be met and has settled for a reduced average daily intake of 2 131 kcal, across the population, broken down as follows: 1 926 calories for the age group up to 15 years, 2 236 calories for 16-64 years and 1 929 for 65 years and over.
35. Based on the requirement of each of these three age groups, grain consumption requirements for the 1995/96 marketing year (1 November to 31 October), work out at 3.69 million tons.
36. The Government has also revised the cereal composition from 70 percent rice and 30 percent maize, to 60 percent and 40 percent respectively. Based on this revision, the total cereal requirement comprises 2.23 million tons of rice, and 1.48 million tons of maize allowing a per caput yearly consumption of rice and maize of 100 kg and 67 kg respectively.

37. Other Uses of Food Commodities: In addition to the cereal requirement for human consumption, 1.4 million tons are required for animal feed, 1.2 million tons for industrial use, mainly for the production of food items such as noodles and 0.17 million tons for catering purposes. It is quite possible, however, that in view of the tight grain supply, animal stock levels and feed use will be reduced this year. There may also be scope for reducing the cereal requirement for industrial use, given the current supply situation.

38. Food Stocks: At the beginning of the 1989/90 food year, the Government estimated national food grain stocks at 4 million tons. To maintain the ration system in the early 1990s in the face of falling domestic production, the Government has drawn heavily on this stock. One consequence of the fiscal crisis has been that the Government has been unable to replenish stocks through imports and there has been net decline over the last few years. It is, therefore, probable that no surplus stocks were available for the PDS at the beginning of the 1995/96 marketing year (November/October).

39. It may be possible that some additional stocks are held exclusively by the armed services. However, the availability of such stocks will not alter the bleak food supply situation as they remain outside the PDS and are not available to the population at large. Even assuming that the army holds, say, six months of food stock, it would only translate into less than 10 days food grain availability for the whole population, even if the food could be used for this purpose in an emergency.¹

40. Food Import Requirements: With the total domestic availability of cereals in the country for the marketing year 1995/96 (November/October) estimated at 4.1 million tons against a utilization requirement of about 6 million tons, the cereal import requirement works out at 1.9 million tons.

41. Commercial Imports: With a crippled economy, low foreign exchange reserves, a large and persistent trade deficit and a low international credit rating, the country faces serious obstacles to importing larger quantities of food grain commercially to meet a growing food deficit. The country has almost certainly had to import cereals commercially for a number of years, even in 1989 which was one of its peak agricultural years. In the last two years, international grain prices have experienced a major hike, which is set to continue at least for some months. Regional supplies are also tight as China, the main exporter to Korea DPR, has recently become a net importer.

¹ 167 kg/caput/annum = 458 grams/day. Therefore for an army of 1 133 000, stocks for 6 months would amount to 458 x 1.133 x 183 = 94 961 tons. The total daily food requirement for a population of 22.07 million = 458 x 22.07 million = 10 108 tons. Therefore the army stock would provide cereals to the entire population for 9.4 days (94 961 / 10 108). This assumes that army rations are presently the same as the population at large and that the size of the army is the same as at the end of 1993.

42. There is already evidence that foreign exchange shortages are an effective constraint to cereal imports:
1) there has been a marked fall in cereal imports from China, which ranged between 700 000 to one million tons per annum in past years, as a result of non-payment; 2) the recent cancellation of a rice contract with Thailand (to supply the balance of 138 000 tons from an original contract of 300 000 tons), as a result of a default in payment.
43. The Government has planned imports of some 700 000 tons of cereals in the 1995/96 marketing year. It is unlikely that the country's commercial import capacity greatly exceeds this level.
44. Food Assistance Requirements: On the assumption that the Government will actually import 700 000 tons on the commercial market, the food aid requirement, to maintain average per caput cereal consumption levels at 167 kg per annum is around 1.2 million tons. Of this 66 000 tons has already been received or pledged, leaving an uncovered shortfall of some 1.15 million tons.
45. Based on the recommendations of an UN Inter-Agency Mission in September 1995, an emergency relief operation (EMOP) for 500 000 of the most affected people in Chagang, North Pyongan and North Hwanghae provinces, was jointly approved by FAO and WFP on 6 October. The number of people targeted by the EMOP represents around 10 percent of the total population affected according to Government estimates. As an initial response, the EMOP was for a ration of 450 grams of rice and 15 grams of vegetable oil per caput for 500 000 people over three months. The total requirement, therefore, was for 20 250 tons of rice and 675 tons of vegetable oil.
46. The total quantity of emergency food aid pledges so far includes 18 080 tons of rice from WFP, 3 500 tons of rice from the International Federation of the Red Cross and Red Crescent Societies (IFRC), 3 303 tons of rice from the NGO CARITAS and 20 tons of rice by the Russian Federation.
47. Malnutrition is expected to increase in Korea DPR in 1996 unless substantial food aid is provided to the country soon. The leanest period will be August-September this year, when the remnants of the 1995 harvest will have been consumed. Those most at risk are young children and pregnant and nursing women, presently estimated by WFP to number some 2.1 million and 0.45 million respectively, though a more detailed study would be required to enumerate the numbers involved.
48. A nutrition intervention programme in support of those under five years of age is underway and began with a shipment of 260 tons of corn soya blend (CSB) financed with funding channelled through UNICEF. In addition, CARITAS secured funding for approximately 500 tons of CSB. Approximately 760 tons of CSB has, therefore, already been mobilised which is sufficient for 55 000 children for a

period of 90 days. The programme needs to be expanded rapidly, to cover all those under five years and pregnant and nursing women at risk. However, to determine the number of persons at risk and the quantity of CSB or equivalent required, a nutrition survey should be undertaken immediately. MSF is prepared to collaborate with the Ministry of Public Health in this regard. Distribution of supplementary food would be carried out through Government clinics, kindergartens and day-care centres.

49. However, the bulk of the shortfall (totalling 1.2 million tons) in cereal supplies will need to be covered by programme food aid or balance of payments support for commercial imports, if the Government is to maintain the minimum ration levels of the Public Distribution System (PDS). To date, only 8 000 tons of rice (programme food aid), financed by Switzerland, has been committed for sale through the PDS. This rice will be sold against ration coupons at 8 chon per kilo through PDS outlets to the non-farming population in the flood-hit provinces of Chagang, North Pyongan and North Hwanghae.
50. However, commercial and concessional purchases must remain the main way of supplementing domestic production to meet the needs of the PDS. Cereals with a lower per unit cost than rice, including maize, maize meal, wheat and wheat flour could be supplied. Arrangements would need to be discussed between donors and Korea DPR on the utilisation of counterpart funds generated by the sales of programme food aid.

IV. MEDIUM AND LONGER TERM MEASURES

51. Even under normal crop growing conditions, Korea DPR has serious natural constraints in producing enough food to meet its requirement for human consumption. Taking into account the limiting factors outlined in the report, food security, based on self-sufficiency is very unlikely to be technically and economically viable, especially in the face of increasing population and demand. Although climatic conditions limit options, it is necessary to consider the possibility of diversifying crop production, of introducing crop rotation systems and of improving the integration of arable with livestock farming to maintain soil fertility. The Government may need to re-consider some of its agricultural strategies and implement certain medium and long-term measures to improve domestic agriculture and food security.
52. There is also a need for a comprehensive and independent nutritional survey to ascertain the nutritional status of vulnerable groups as well as a more general need to consolidate national food information systems.

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January 25, 1996

The Honorable Warren Christopher
U.S. Secretary of State
The Department of State
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Dear Mr. Secretary:

It has come to my attention that the State Department is considering giving hundreds of thousands of dollars in food aid to North Korea through international relief groups. At this time and under the present circumstances, I am strongly opposed to such action and urge you to suspend any efforts in this regard.

There are five principal reasons against providing this assistance:

First, this is not the first time the regime in North Korea has played upon our humanitarian concerns in its deliberate effort to engage the United States directly at the expense of South Korea. Previously, South Korea has provided food and other humanitarian aid with the understanding that this charity would facilitate the North-South dialogue--a key foreign policy objective of both Seoul and Washington. While North Korea took this aid, Pyongyang has refused to follow through with any dialogue.

I understand South Korea is still willing to provide meaningful assistance provided there is a change in North Korea's attitude toward dialogue. And, under these circumstances, it could be appropriate for the United States to participate in this effort. However, to provide aid unconditionally--as the Clinton Administration is presently proposing to do--would reward North Korean intransigence and completely eliminate any incentive for Pyongyang to deal with Seoul. Furthermore, as this proposal has been criticized strongly and publicly in South Korea, to follow through with it only reinforces the perception on both sides of the DMZ that South Korea is not an equal ally of the U.S.

Second, North Korea continues to divert significant resources into its aggressive military machine. Pyongyang has huge, well-stocked war reserves. With American food aid, the North Korean regime would be able to substitute the use of some of these excessive reserves to feed its population with the food we provide. It makes no sense to subsidize North Korea's military considering the dangerous threat it continues to pose to the Republic of Korea and 37,000 American forces in the South.

The Honorable Warren Christopher
 January 25, 1996
 Page two

Third, North Korea's bankrupt communist agricultural system combined with its diversion of significant resources towards the military have resulted in food shortages in North Korea for many years. U.S. and South Korean intelligence sources have estimated that North Korea is deliberately exaggerating its food shortage. Press reports indicate that Chinese authorities have expressed similar skepticism. North Korea does not appear to be facing a crisis of famine, epidemic and civil disorder. However, such tragedy is occurring elsewhere--in southern Sudan and other parts of Africa. If it is the administration's intent to fight severe famine, aren't these resources better used where famine really exists?

Fourth, I am concerned that Pyongyang will interpret this aid as an indirect U.S. submission to its attempts to extort financial rewards for the return of American POW/MIAs. Despite the generous U.S. assistance of over \$1 million to North Korea for the recovery of American remains, I was appalled at North Korea's accusation that the U.S. was ungrateful and cheap. While I strongly support responsible efforts to achieve the fullest possible accounting of American POW/MIAs, the United States cannot degrade this humanitarian effort into "buying bones."

Finally, both the North Koreans and the State Department should remember that the American taxpayer is the source of this generosity. Therefore, it is reasonable to request verification of North Korea's claims that this aid is desperately needed and, if aid is provided, that the food aid is being distributed as intended. Yet, over the last year, North Korea has deliberately insulted the U.S. Congress and very taxpayers that are being asked to provide this assistance. I know from personal experience that North Korea has purposely engaged in discriminating against Members of Congress like myself because of our national origin or political philosophies. Until Pyongyang allows those who directly oversee American foreign aid to fulfill their responsibilities, no assistance should be provided.

Above all, recognizing the serious questions and concerns Congress has regarding both this specific aid proposal and the administration's dealings with North Korea in general and the negative ramifications these internal disagreements can have on successfully achieving American foreign policy goals, I again strongly urge you to suspend this unilateral aid effort and, instead, work with Congress in crafting a sounder, bipartisan policy towards North Korea that all of us can support.

Thank you for your consideration of this matter.

Sincerely,



JAY KIM
 Member of Congress

JK:mr

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One Hundred Fourth Congress
Congress of the United States
Committee on International Relations
House of Representatives
Washington, DC 20515

February 6, 1996

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Hon. Warren Christopher
Secretary of State
Department of State
2201 C Street, N.W.
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Re: Food Aid for North Korea

Dear Mr. Secretary:

We are writing regarding the World Food Program's ("WFP's") appeal for food aid donations to help relieve the starvation caused by recent flooding in North Korea.

From the briefings recently provided by the State Department, we understand that the WFP issued a call for food aid to help relieve the large unmet need for food aid in North Korea. That appeal received only a limited response from the donor community. We understand that following recent flooding, the WFP reissued its appeal, but only for food aid donations to relieve starvation in specific areas affected by recent flooding. This smaller WFP appeal totals \$8 million, of which \$2 million would come from the United States as the lead donor.

The State Department informally notified us that the Administration plans to respond to this appeal by providing \$2 million in cash to the WFP, paid from Fiscal Year 1996 funds available to the Agency for International Development's International Disaster Assistance account.

We are skeptical of any assistance to North Korea. As you know, the North Korean government threatens our troops stationed in South Korea, supports international terrorism, and frustrates our efforts to prevent the spread of nuclear weapons and the missiles to carry them.

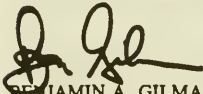
- 2 -

Nevertheless, we recognize the view of the Administration that the victims of the recent flooding should not pay with their lives for the misguided policies of the North Korean government if we can ensure that our assistance actually meets their critical needs. Therefore, we will not seek to block this assistance program as currently described, if the Administration notifies the Congress in writing of the following that:

1. Our South Korean allies do not oppose the delivery of this assistance;
2. Previous food aid and official concessional food deliveries have not been diverted to military needs;
3. North Korean military stocks have been tapped to respond to North Korea's unmet food aid needs; and
4. The WFP will be able to ensure that all upcoming food aid deliveries will not be diverted from intended recipients.

We would ask that you respond to this letter, in classified or unclassified form, before obligating funds to support the WFP's appeal. We look forward to working with you on this issue.

Sincerely,



BENJAMIN A. GILMAN
Chairman
International Relations Committee



LEE H. HAMILTON
Ranking Democratic Member
International Relations Committee



PAT ROBERTS
Chairman
Agriculture Committee



DOUG BEREUTER
Chairman
Subcommittee on Asia
and the Pacific



United States Department of State

Washington, D.C. 20520

FEB 13 1996

Dear Mr. Chairman:

The Secretary has asked me to thank you for your letter dated February 5, on the decision to extend \$2 million in humanitarian assistance to the World Food Program (WFP) for flood relief in North Korea. You raised specific questions about the program and asked for an Administration response prior to obligation of funds.

The U.S. decided to extend this assistance in order to respond to a real humanitarian need, to keep the World Food Program engaged in North Korea, and to demonstrate to North Korea the benefits of its unprecedented decision to permit international organizations to operate there. This move is also consistent with USG policy of several Administrations that aims to promote North Korean behavior that would allow its greater integration with the international community. We appreciate your understanding of our desire to avoid having flood victims pay for the public policies of North Korea. We share your concern that any USG assistance reach those most needy.

I would like to respond to the specific questions you pose in your letter.

The South Korean Government has indicated its understanding of our modest assistance to the WFP. Our decision was taken only after close consultations with the ROK and after taking into account the concerns expressed by the ROK in those consultations. ROK Foreign Minister Gong Ro Myung made clear even before our decision that his government would not object to modest humanitarian donations to international organizations for use in North Korea. Following our announcement, Foreign Ministry spokesman Chang Chul-kyun said, "We have no reason to raise an objection to such humanitarian assistance on a small scale."

The earlier U.S. Government assistance of \$225,000 for flood related assistance was given through UNICEF for 1) medical supplies and 2) a supplemental feeding program for children under the age of 5. Let me assure you that UNICEF and other related U.N. agencies have staff in North Korea, coordinating and overseeing the distribution of contributions

The Honorable

Benjamin A. Gilman, Chairman,
Subcommittee on International Operations
and Human Rights,
Committee on International Relations,
House of Representatives.

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made through them. UNICEF has already provided us with one monitoring report and will continue to do so until the aid has been completely distributed. We are confident that USG assistance is reaching the targeted population, i.e. flood victims.

Aid from other countries has been given both through international organizations and directly to North Korea. We have seen positive reports on the distribution and monitoring of food aid made available through the WFP and other international organizations. Our knowledge on the distribution of food aid given directly to North Korea is far from complete. We do know that the \$240 million (150 thousand ton) donation of rice by the ROK last year was given to North Korea without restrictions on its distribution. There are some press reports that allege that some of the ROK donation may have gone to the military. Because of the possibility that direct aid could be diverted from its intended recipients, we have chosen to provide our aid through reliable international organizations. Where these organizations have monitored distribution, as will be the case with the WFP, there have been no problems with diversions.

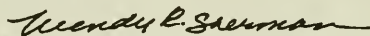
On the question of military stocks, we believe that the military stocks were tapped to an unknown extent to respond to North Korea's unmet food needs, but they were not drawn down as much as necessary to adequately respond to the food crisis. Moreover, there are limits to how far the North Koreans will reduce their strategic reserves due to their perceived security concerns. Further information on this sensitive issue was discussed in our classified briefings with HIRC staff.

We have had extensive discussions with the WFP on its ability to monitor food distribution to ensure against diversion. The WFP has its own staff in Pyongyang who monitor the distribution of assistance provided to North Korea by WFP. The WFP monitors assistance from the time it arrives at the port in North Korea until it reaches the targeted recipients. The WFP also draws upon other UN personnel and diplomats to supplement the monitoring done by its own staff. We are confident of the WFP's monitoring capabilities and intend to continue working closely with them on this aspect of their program. It is important to note that even from early on in the process, the WFP Director told North Korean officials that if WFP lost confidence in the monitoring arrangement, it would cease distributing assistance. The WFP is an organization distinguished for relief experience in the assessment, distribution and monitoring of assistance programs in other Socialist and politically troubled countries.

- 3 -

We look forward to working with you to ensure the success of this program and appreciate your support for our efforts to respond positively to this humanitarian emergency. We hope we have been responsive to your concerns. Please do not hesitate to contact us if we can be of further assistance.

Sincerely,



Wendy R. Sherman
Assistant Secretary
Legislative Affairs

Enclosure:

Correspondence returned.

Food and Agriculture Organization of the United Nations

Liaison Office for North America

Telephone: Area Code 202
 Director: 653-2400/1
 Administration and
 Personnel: 653-2398/9
 Economics: 653-2458
 Fellowships: 653-2453
 Library: 653-2402

1001 22nd Street, Northwest
 Washington, D.C. 20437

CABLE: FOODAGRI WASHINGTON
 TELEX: 64255
 FAX: 202-653-5760

10 April 1996

Dear Ms. Clark,

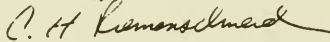
In response to the request of the Subcommittee on Asia and the Pacific on March 19 during the testimony of Dr. Abdur Rashid of FAO, following is the information on U.S. dollar value of confirmed pledges of food assistance to North Korea as of 2 April.

Sweden (IEFRI)	2,500,000
Finland	22,727
Denmark	504,504
Norway	116,000
Australia	375,727
USA	2,000,000
Switzerland	1,688,515
Private UK	15,000
Friends of WFP	44,335
World Vision	<u>187,400</u>
Total	7,450,208

Note: The total quantity of rice bought with confirmed pledges amounts to 18,660 tons plus 675 tons of vegetable oil.

Please call me if I can be of further assistance.

Sincerely yours,



Charles H. Riemenschneider
 Director

Ms. Angela Clark
 Subcommittee on Asia and the Pacific
 House Committee on International Relations
 Washington, DC 20515



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